

IN FOCUS: Decision Time for Independent TV

CHANNELS

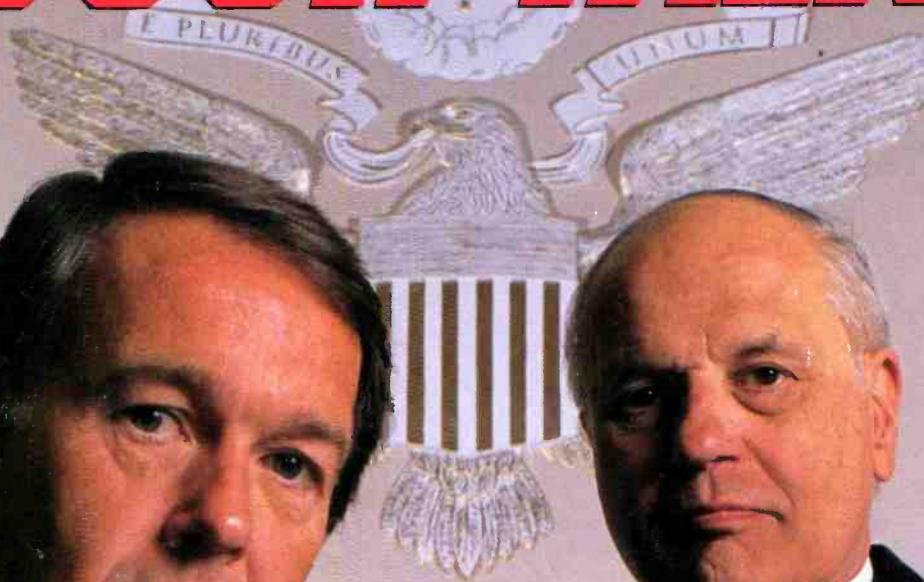
JANUARY

THE BUSINESS OF COMMUNICATIONS

1989

TOUGH TALK

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determined to
rein in the FCC.
A classic D.C.
showdown
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AND JOHN DINGELL

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And here's the proof.

Week after week, rating period after rating period, the series and specials that consistently score phenomenal ratings on network and in syndication are crime related.

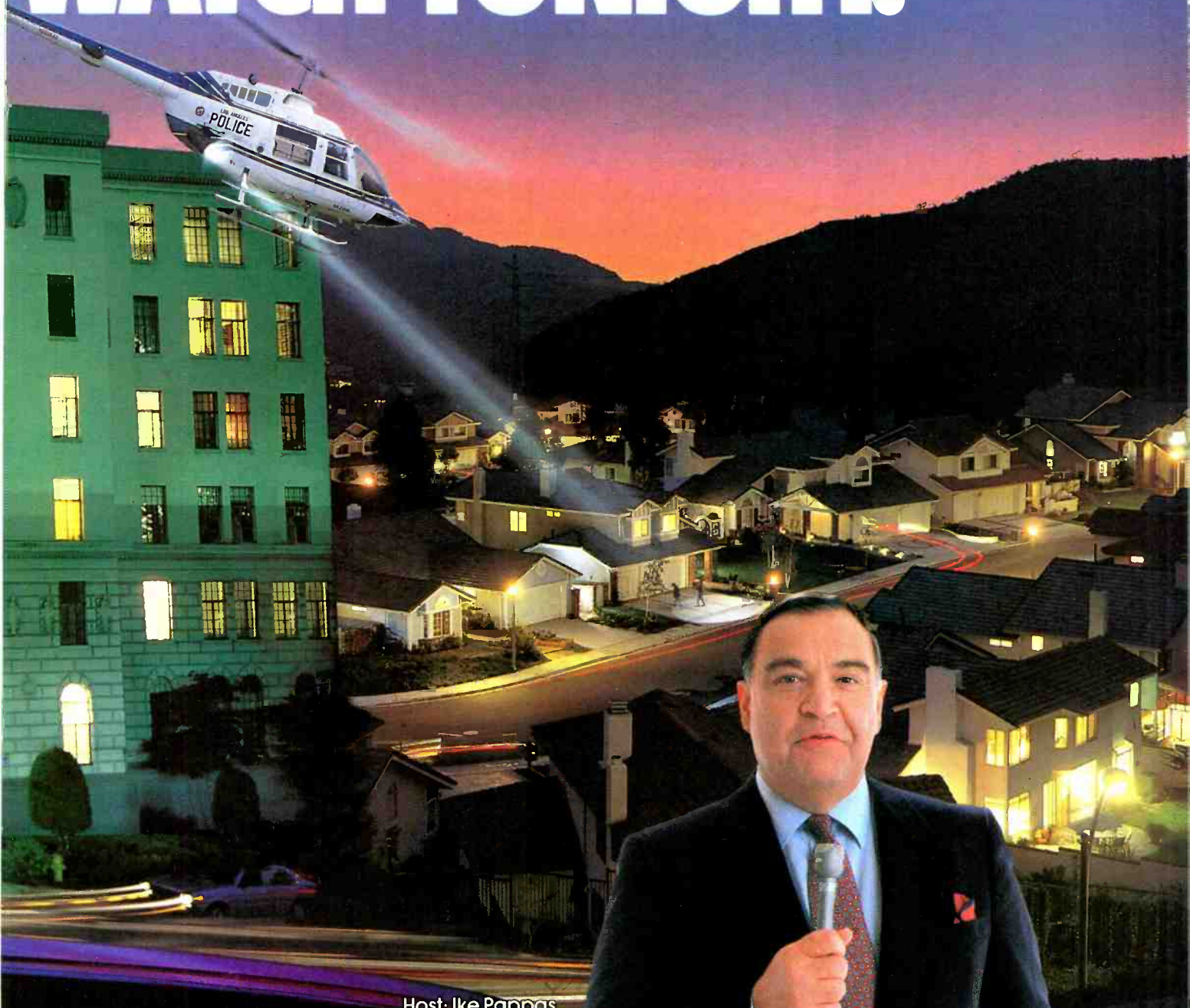
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CRIMEWATCH TONIGHT is written and produced by a seasoned staff of field reporters led by Executive Producer, Reese Schonfeld, founding President of CNN. Our in-studio anchor is veteran CBS newsmen, Ike Pappas.

THERE'S CRIME, WATCH TONIGHT.



Host: Ike Pappas

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CHANNELS

THE BUSINESS OF COMMUNICATIONS

VOL. 9, NO. 1

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HOLLYWOOD EYE

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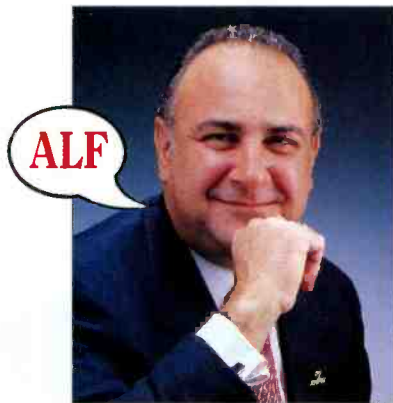
RUNNING THE NUMBERS

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Cover photograph: Rhoda Baer

**How do
you pick your
next hit
sitcom?**

Read m



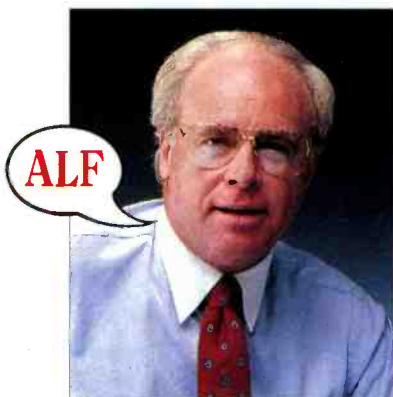
Harry Pappas
President
Pappas Telecasting Companies
"ALF has the strong male demos which attract the kind of ad dollars that independents find the hardest to capture."



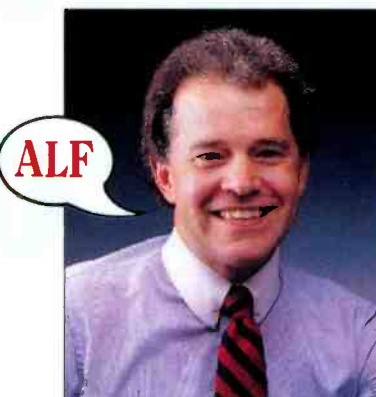
Gene D'Angelo
President & General Manager
WBNS-TV, Columbus
"ALF's adult demos, especially with men, create an ideal track for a potential news lead-in."



Gail L. Brekke
General Manager
KITN-TV, Minneapolis
"ALF is warm, funny, well written and an American original!"



Tony Kiernan
Vice President & General Manager
WLWT-TV, Cincinnati
"ALF delivers the perfect mix of adult men and women that we need for our early news program."

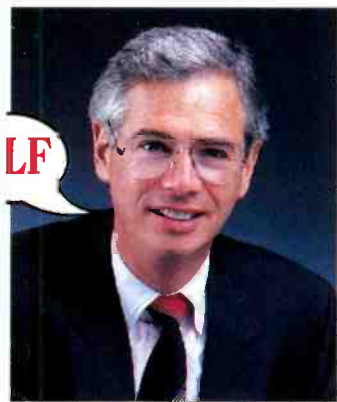


Joe Young
Vice President & General Manager
WXIN-TV, Indianapolis
"ALF compliments the image of our station and continues our commitment to high quality programming."



Steve Scollard
Vice President & General Manager
KLRT-TV, Little Rock
"ALF transcends all usual demographic breaks to appeal to a wide cross-section of the audience."

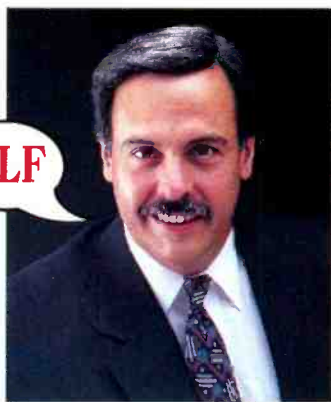
y lips...



Harvey Mars

President & General Manager
WXIA-TV, Atlanta

"ALF can generate its own audience without the benefit of a strong lead-in. That makes it perfect to run before our news."



Stuart Powell

Vice President & General Manager
KNXV-TV, Phoenix

"ALF's demographic success formula works for NBC now, and will work for us in '90."



Rusty Durante

Vice President & General Manager
KVVU-TV, Las Vegas

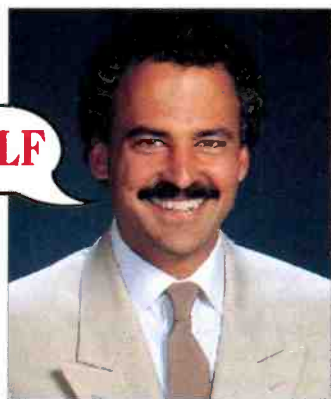
"ALF's broad appeal makes it an independent's ideal early fringe or access sitcom strip."



Hal Protter

Vice President & General Manager
WVTV, Gaylord Broadcasting,
Milwaukee

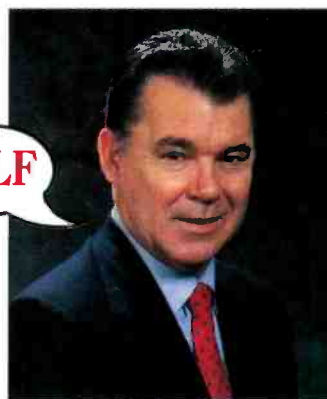
"ALF has the kind of dependable performance that we need in a five-day-a-week strip."



Doug Johnson

President & General Manager
WXON-TV, Detroit

"ALF's ideal demographics on NBC once a week will make it an ideal independent's strip when it hits syndication."



Bill Viands

Vice President & General Manager
KDNL-TV, St. Louis

"ALF has an advantage most other sitcoms don't offer - a high male comp!"



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PUBLISHER'S
NOTE

The New Age of Marketing

In 1988, marketing became the battle cry for television-advertising salespeople. From local to network to cable, professionals around the country came to the stark realization that their world was changing. No longer was it simply a matter of taking orders, jockeying spots and heading for the golf course by late afternoon.

Instead, in the face of an onslaught from other television competitors—from more aggressive print-media efforts, from non-media advertising sources and from the direct marketing field—many sales managers in all parts of TV began a new era. New categories had to be developed and new approaches taken as television sales prepared to move into the '90s. Constant through all the change was the theme of marketing, an emphasis on the need to define, explain and market the virtues of the television medium.

Here at *Channels*, we too confront a hotly competitive, changing environment. In earlier times, it may have been sufficient to simply publish a magazine that was among the best in its field. Those days are long gone. In publishing, as in television, we're also facing a new era of marketing. We do not view our clients as just advertisers, we view them as marketing partners. We work closely with them to identify how, as a publishing concern, we can help them meet their marketing and sales objectives. For example, during 1989 *Channels* will distribute nearly 50,000 copies of the magazine at 21 major industry events, helping our clients achieve a high level of visibility for their messages when buyer interest and sales activity is peaking. Furthermore, *Channels* conducts ongoing research projects that assist our clients in staying on top of new trends and developments in the marketplace.

To those skeptics who believe that marketing is a lot of hot air, we respond with proof positive that this kind of approach can and does work, as evidenced by *Channels*' 65 percent increase in ad pages and revenue for 1988. Our advertising pages increased from 317 in 1987 to 525 in 1988. While there is no question that the magazine's editorial strengths have made a major contribution to its acceptance in the marketplace, we firmly believe that the marketing partnership approach with our clients helped us to achieve this tremendous growth, especially at a time when the growth of our marketplace has slowed.

We look forward to continuing to develop innovative and value-added client marketing programs in 1989, and we urge our readers to utilize the new world of marketing to help give their clients and themselves a unique competitive edge.

Joel A. Berger

CHANNELS

THE BUSINESS OF COMMUNICATIONS

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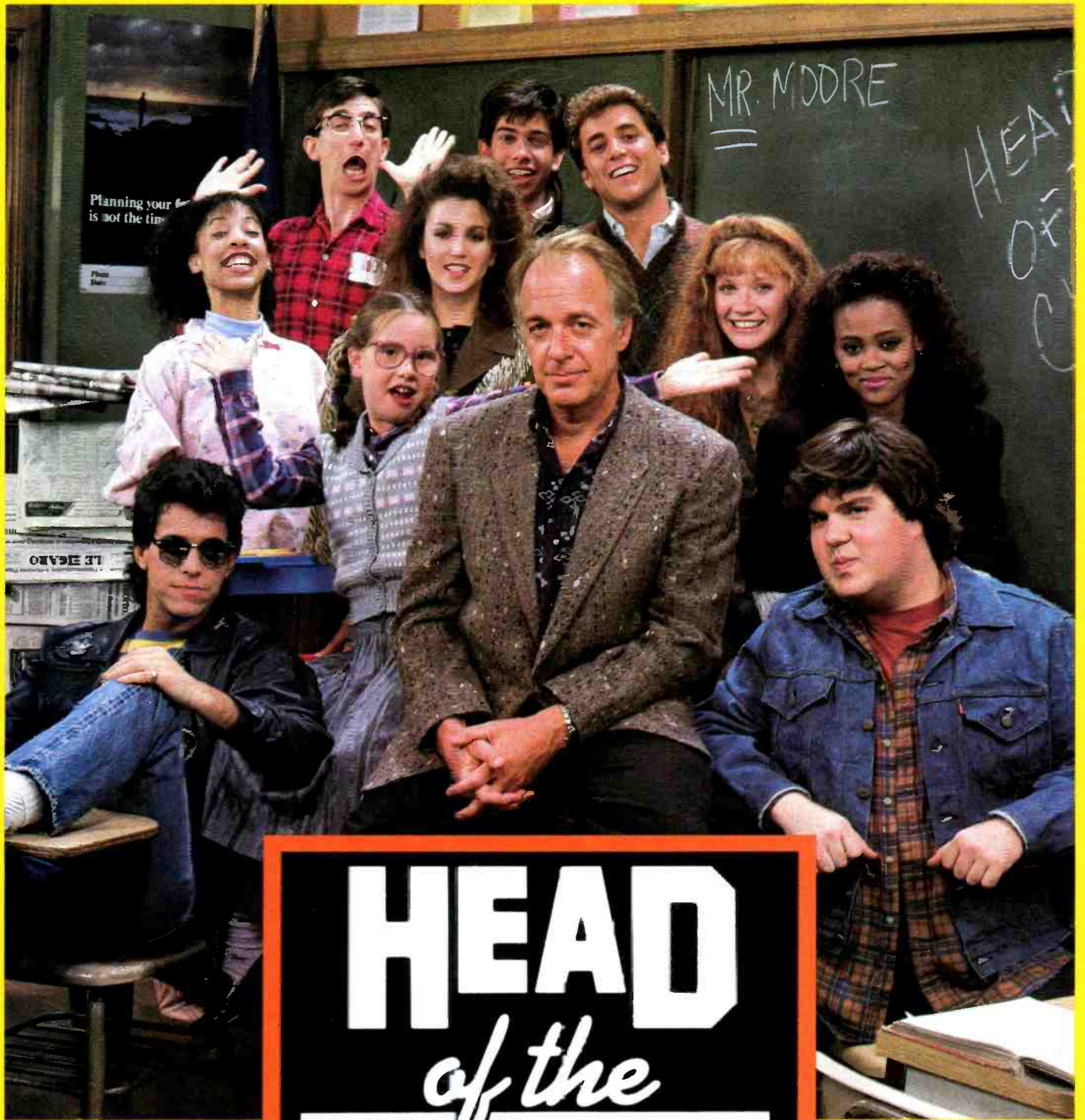
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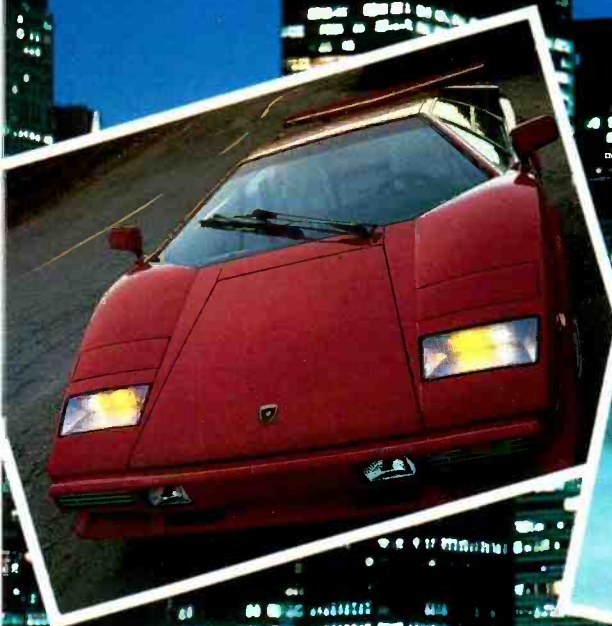


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After Hours



A breakneck rollercoaster ride in and around who's hot, what's what and where it's happening. That's After Hours.

A late fringe breakthrough, After Hours is the late-night, first-run variety magazine strip that grabs audiences with high-energy sizzle and the look and feel of the 90s. So have a good night.

After After Hours there's no other choice.



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New York, Los Angeles, Chicago, Atlanta, London, Paris, Tokyo,
Sydney, Toronto, Rio de Janeiro, Munich, Rome

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What's the easiest way to see the stars up close?
Book passage on The Love Boat. Uniquely promotable
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Boat delivers ship-to-shore laughs with an everchanging
cast of lovers and lunatics. With almost limitless repeatability,
it's the luxury cruise that won't bruise your programming
budget. So come aboard The Love Boat, and make the
stars shine morning, noon and night.



**WORLDVISION
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**The World's Leading Distributor
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New York, Los Angeles, Chicago, Atlanta, London, Paris, Tokyo,
Sydney, Toronto, Rio de Janeiro, Munich, Rome



Declaration of Independents

I don't want to overreact and I don't want to be defensive. Maybe, just maybe, there's a good explanation.

So, please tell me if it's possible from your 650 completed surveys not even one percent of your respondents mentioned their local independent station [September, "Confronting a Nation of Grazers"].

I can't believe that in most major markets in this country that CBN is enjoyed more than KCOP, KTVU, WTTG, WWOR, etc., etc. If your list is accurate and independent stations didn't find their way onto this chart, I would be interested in seeing how the questions were asked.

You did mention the "halo" effect, but ratings do mean something and the disparity in what actually happens (cable gets excited when something does a 1 rating) in the ratings and what your respondents say they enjoy is a bit out of whack.

Rick Feldman
V.P. & Station Manager, KCOP
Los Angeles, Calif.

According to A.C. Nielsen Company, independent television stations are the principle cause and the principle beneficiaries of the erosion in network viewing.

We currently account for approximately 25 percent of all television viewing nationwide. In Los Angeles, independents garner a 50 percent viewing share, in New York 35 percent, etc.

And yet, in September's "Survey of Viewer Attitudes and TV Viewing Habits" you conclude that it is still "a network world" diluted only by "cable's popularity." Given the Nielsen numbers and your own findings that viewers *without* cable regularly watch five (not three) channels, it looks like your analysis somehow overlooked our highly significant role in the changing television environment.

Not withstanding this egregious slight, we still love your outstanding magazine.

Preston R. Padden
President, Association of Independent
Television Stations
Washington, D.C.

Independent-station programming varies from market to market and since the Channels survey was designed to identify national trends that influence audience habits, responses from participants who named individual independent stations were grouped in the category "other." But when those

LETTERS

responses are tabulated, indies do rank above HBO, ESPN and other cable channels. For a more detailed look at those findings, see the chart in this issue's In Focus section.—Ed.

And the Survey Says . . .

Just a quick note to congratulate you for the terrific "New TV Viewer" report in your September issue.

Your comprehensive examination of today's television viewer offered valuable insights, a refreshing break from the increasingly irrelevant "who's winning the network prime time horse race" type of ratings story.

Clearly, the survey took a lot of time and effort, for the results speak for themselves. It was very interesting.

Lloyd P. Trufelman
Director of Communications
Cabletelevision Advertising Bureau
New York, N.Y.

On the "Bubble"

Thank you for your time and concern with the Omaha market profile ["Opening up Omaha," September].

I first saw the article when Harry Pappas hand-carried it up from Oklahoma City, where he had been involved in finalizing the company's efforts to acquire the independents in that market. Harry, who as you might suspect

has extensive contact with the national press, was extremely complimentary in his remarks regarding the article. It's amazing in the past how many articles, even the most positive, have missed the "bubble" and contain many inaccuracies.

Gary R. Nielsen
V.P. & Station Manager, KPTM
Omaha, Neb.

A Walk Down Memory Lane

This letter is to compliment Channels and Kirsten Beck on the well-researched article about WTNH-TV and the Hartford-New Haven ADI [Market Eye, October].

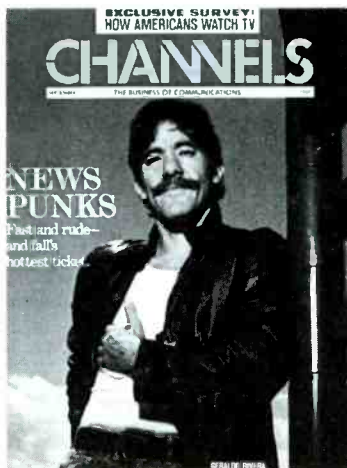
As the senior vice president of Post-Newsweek and general manager of WFSB-TV from the date of its purchase by Post-Newsweek from the Travelers Insurance Company in 1974, I have a long-standing interest in the market. I was particularly struck by some interesting similarities between the 1983-88 period profiled by Ms. Beck and the 1974-78 period when I was at WFSB-TV.

When Post-Newsweek bought WFSB-TV (then WTIC-TV), Capital-Cities owned WTNH-TV. Under the leadership of their g.m. Peter Orne, and featuring a young, energetic local anchorman, Pat Sheehan, the WTNH-TV newscasts had whittled away at the ratings of the longtime market leader WTIC-TV. In several ratings sweeps in 1974, the WTNH-TV early news was number one.

But WFSB-TV launched a strong, new promotional campaign created by Bob Klein, hired a superb new sports director, Ted Leitner (now at KFMB-TV in San Diego), transferred an engaging weatherman, Hilton Kaderli, from PNS sister station WTOP-TV in Washington, D.C. and upgraded the journalistic credentials of the station with outstanding reporters like Mark Howard (now WPVI-TV), Chris Gordon (now WUSA-TV), Don Noel (editor of the *Hartford Times* and now editorial page editor of the *Hartford Courant*), Jane Wallace (now CBS News), David Ropeik (now WCVB-TV) and the incumbent bright young man, Al Terzi (now WTNH-TV).

Finally, in a move quite like the Janet Peckinpugh move from WTNH-TV to WFSB, Pat Sheehan moved to WFSB, and WTNH never again challenged WFSB's ratings leadership, until the 1986 period noted in the article.

Sheehan anchored the area's first 60-minute news program, and the station was first with many other innova-



Universal Pictures Debut Network...
by every imaginable standard,
television's most successful movie network
for three straight years.

**Not just first.
Very first.**



Debut III
Available for telecasting
September 1989.

MCA TV

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tions during the 1974-78 period: The first live news bureaus (in New Haven and Springfield, Mass.), the first live town meetings broadcast in prime time, the first broadcast of *Talking Back to CBS News* with Walter Cronkite, Mike Wallace and Dick Salant, the first local live state lottery game show in the country, and one of the first nationally syndicated, locally produced programs for children, entitled *Marlo and the Magic Movie Machine*.

The renaissance of WFSB-TV was largely due to the leadership and creative energy of an outstanding management team, many of whom have gone on to leadership positions elsewhere: Amy McCombs (now g.m. of KRON-TV), Jim Topping (now g.m. of KGO-TV), Emily Rooney, Bill Ford, Hank O'Neil, Nancy Boyer, Paul Orio, Jean Tucker, Tom Eaton and Muriel Fleishman, among others. And clearly, Barry Barth and all his staff have improved upon the historical legacy of their predecessors.

Thanks for letting me "walk down memory lane."

Daniel E. Gold
President & CEO

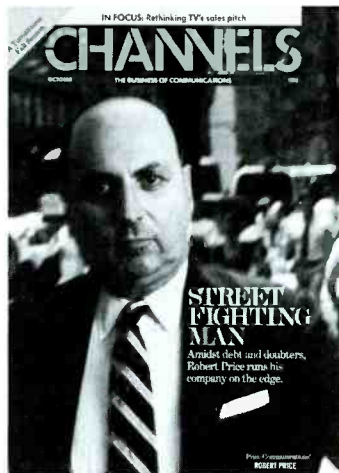
Knight-Ridder Broadcasting Inc.
Miami, Fla.

You can imagine my reaction to the October *Market Eye*. To put it bluntly, the inane article represented heresy and subjective opinions from individuals your reporter, Kirsten Beck, chose to speak with and quote.

Fortunately, I think Ms. Beck's article demonstrated a great deal of ignorance of our business, as demonstrated by her "A Programmer's Checklist," i.e., her assumption that WFSB would not bid on *The Cosby Show* to beef up Mr. Barth's access against *Wheel of Fortune* and *Jeopardy* on WTNH. This is a ridiculous comment from a programming magazine since affiliated stations in the top 50 markets are not allowed to air off-network programming during access (PTAR—the Prime Time Access Rule).

A key point that Ms. Beck failed to mention is that WVIT, in fact, has all the momentum in the news race. WVIT has been the only station to show a consistent increase in rating and share over the past years in both our 6 and 11 P.M. newscasts. In fact, WVIT has had the largest increase in audience share while WFSB and WTNH have lost significant audience share.

The one sentence dedicated to WVIT was not even correct. The station was



put up for sale this past July, not last summer.

Alfred T. Bova
V.P. & General Manager, WVIT
West Hartford, Conn.

The author Kirsten Beck responds: Mr. Bova's first point regarding PTAR is correct; with a red face, I admit to the embarrassing lapse. I dispute Mr. Bova's second point however, and stand by my contention that WTNH and WFSB dominate the local news ratings. It is true, according to Arbitron, that WVIT's News at 11 P.M. showed significant percentage increases from 1987 to 1988 in February and July sweeps, but WVIT has yet to break out of single digits in either rating or share, while neither FSB nor TNH dropped below a 25 percent share of the audience during the same period. Finally, on my calendar, July has always been a summer month. Mr. Bova and I agree that WVIT was put up for sale in July of 1988.

Skewed Views

Thank you for Joe Mandese's article on the NAB Committee on Local Television Audience Measurement (COLTAM) work to improve ratings research ["Dear Diary: I'm Confused," October].

The personal television diary project is a very significant undertaking receiving wide financial support by the industry. Mr. Mandese did a fine job of representing the spectrum of opinions regarding electronic versus diary measurement of local television viewing. There is a world of difference between the way network and most local viewing is measured.

Richard Ducey
Senior V.P., Research and Planning,
National Association of Broadcasters
Washington, D.C.

Presidential Reading List

I don't normally write fan letters, but I thought the October *Business Side* ["Reviving Federal Regulation"] about regulation and deregulation was absolutely correct with respect to both causes and cures. I hope somebody in Washington reads it carefully after November 8, 1988.

Philip L. Verveer
Wilkie Farr & Gallagher
Washington, D.C.

In October, you printed erroneous information about the series *Unsolved Mysteries* in the article, "Deficits Pending." Saban International is not the distributor of domestic syndication of *Unsolved Mysteries*, although we have signed them to handle foreign distribution. At present we have not signed a distributor and handle inquiries ourselves.

Our first seven episodes will be available in 1991, not 1993. Our next thirteen will be available in 1992.

Our license fee is not \$750,000. If you wish the exact license fee, you must contact NBC. You estimate we carry a deficit of \$50,000 per episode. This is not true. We have no deficit.

I have always enjoyed *Channels'* coverage of television and was dismayed at the inaccuracies in the article. Please print a correction.

Incidentally, the editor of your article, Michael Burgi, told my assistant that he called to get license fee and deficit information, but no one would talk to him. In fact, we have had no inquiries from *Channels* magazine, or any other magazine about this information.

John Cosgrove
President, Cosgrove-Meurer
Productions
Los Angeles, Calif.

Channels regrets any factual errors in the "Deficits Pending" chart. As noted on the chart, the license fees and deficits per episode for all programs are industry estimates compiled with help from the Writer's Guild. Channels did call Cosgrove-Meurer, twice: once to verify the ancillary information (number of episodes, executive producers, etc.), and once for the license fee and deficit, to which the reply was "We do not release that information." —Ed.

.....
Channels welcomes reader's comments. Address letters to the editor to Channels, 19 West 44th Street, Suite 812, New York, N.Y. 10036. Letters may be edited for purposes of clarity or space.

CLEARED!

NY, L.A., CHICAGO, PHILADELPHIA,
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MILWAUKEE, BUFFALO...AND MANY MORE!

10 MYSTERY WHEEL OF ADVENTURE

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10 WORLD PREMIERES IN 10 WEEKS!
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- Dick Francis is today's premier mystery writer...over 50 million books sold!
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Pay-per-view Music Videos: Will Viewers Ante Up to Play Them?

A savvy group of investors are betting on Video Juke Box.

Why are big media players flocking to the Video Jukebox Network, a Miami-based cable network that derives 97 percent of its revenue from charging viewers \$2 to see a music video? Rick Michaels, Community Equity Associates's chairman of the board, publishing magnate S.I. Newhouse and his brother Donald, and Andy Orgel, the ex-v.p. of programming at the Arts & Entertainment Network and VJN's new CEO, are betting the Jukebox will be a very profitable venture.

this: A selection of up to 1,000 music-video titles, stored on videodiscs, scroll continuously along the bottom of the home TV screen. The viewer dials a local 976 number and punches in selected song codes and, just like a jukebox, the videos play in the order they're received, which could mean a 20 minute to one hour or longer wait. The phone company charges \$2 for one video, \$5 for 3, on one call. The phone company keeps 12 to 16 cents; VJN shares the balance with cable operators.

Although the Jukebox is barely

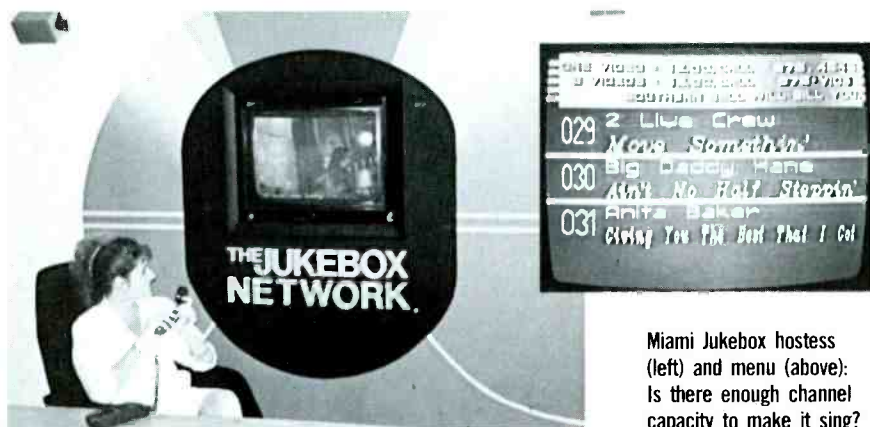
with a 30-second spot based on a UB40 video. The spot promotes Island's new record and a trailer announces that the entire video can be seen by ordering A-40. "The boys are sitting around, sipping beer," says Michaels, "and they see this ad and punch it up. And don't forget, the Jukebox works just like in a bar—if ten people call, it doesn't play the video ten times; it keeps all the money and plays the video once."

After three years of use, Michaels, who brought in the Newhouse brothers, thinks all the bugs in the Jukebox are out. The final glitch was in the telephone-interface technology, and cost \$175,000 to remedy. Michaels explains, "When I was in college, I'd call my parents and say, 'I'm here,' and hang up real quick and they wouldn't bill me. People were doing the same thing with the Jukebox: their videos would play but they wouldn't be charged. It doesn't take college kids long to figure out stuff like that."

Whether the Jukebox can prosper will depend on how much it can expand. The Network is currently on nine cable systems and has three low-power VHF TV-station affiliates plus construction permits to build three more l.p. VHF stations. With the addition of Orgel, who is credited with A&E's success in cable-system expansion, and Cheryl Green, formerly Storer's v.p. of sales and marketing in Florida, and now v.p. of affiliate relations, the Jukebox will go after cable more aggressively.

Operators of the nine systems get 20 percent of VJN's revenues, a split that Michaels hopes will encourage more systems to sign on. Ted Livingston, v.p. of marketing for Continental Cablevision, thinks VJN's prospects are decent. "Because of the interactive nature of it, they'll get a fair hearing. They have a fighting chance to get on enough systems to be successful."

However, John Kompas, president of the Community Broadcasters Association, who has been working with VJN on its low-power deals, is less optimistic. "I suspect Mr. Orgel is going to have the same problem that Mr. Turner had, and the same problem USA Network has," Kompas says, "which is finding enough capacity. Until the nation's cable systems really go through the major upgrade that they've been talking about, the channel capacity is completely filled up." **RICH KATZ**



Miami Jukebox hostess (left) and menu (above): Is there enough channel capacity to make it sing?

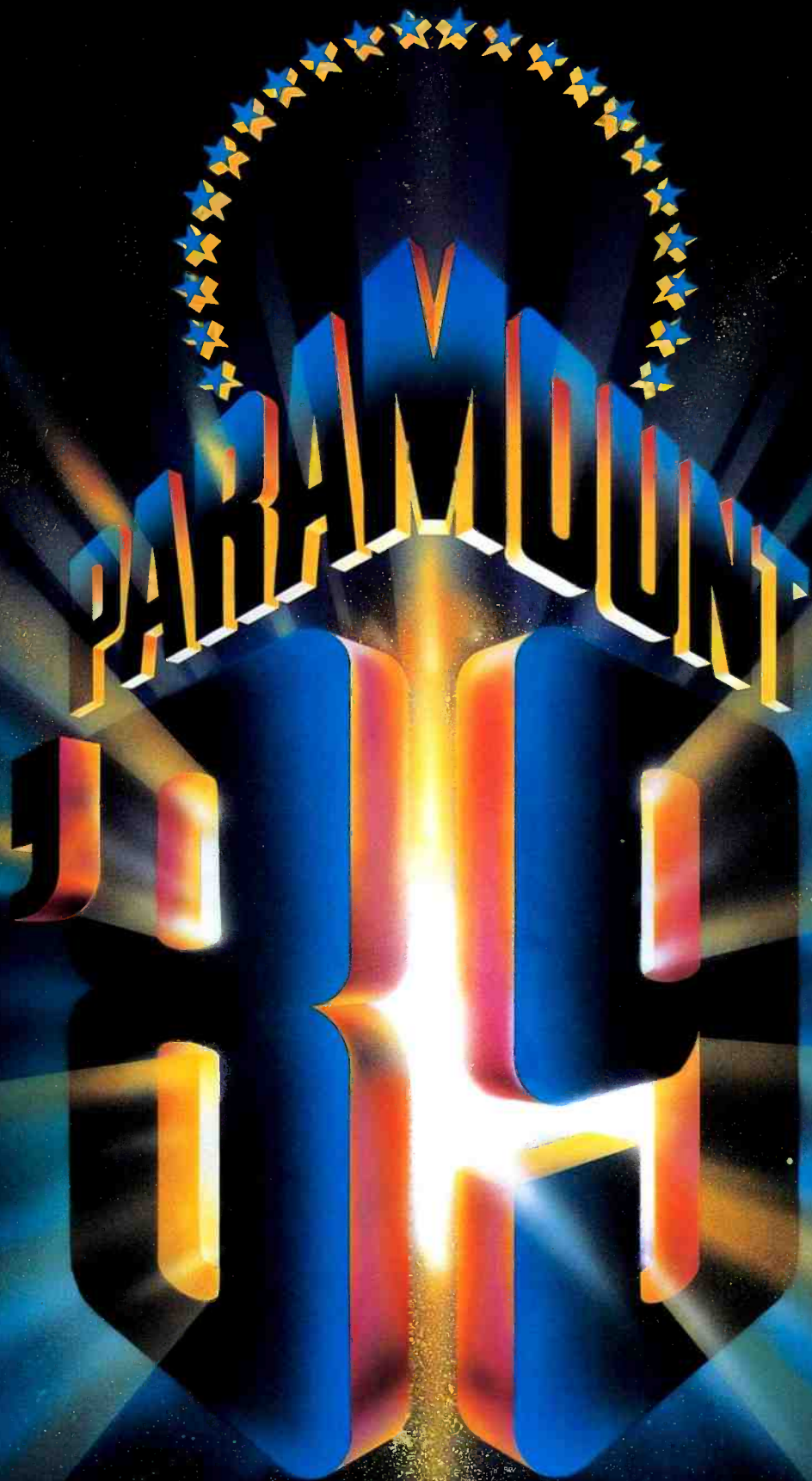
"It took me less time to realize it would be successful than it did for me to decide to take the job," says Orgel, who will commute to Miami from his home in Norwood, N.J. "At first I turned it down, but the more I thought about it, the more I liked the interactive aspect. Also, the partners are very selective, bright and savvy; their track record is very solid." The "partners" are VJN Partners, which include Michaels, the Newhouse brothers and Florida financier Louis Wolfson, among others, who in 1987 purchased 3.5 million of the 4 million common stock shares from founder and former president Steve Peters for \$2 million in cash and a \$1.75 million note.

For now, the Jukebox works like

breaking even after three years, there are already plans to expand into other areas, primarily by utilizing its ability to be programed independently for each market. Partner Beverly Harms, who works for Rick Michaels as v.p., office of the chairman and who also introduced Michaels to the Jukebox, envisions local job- and real-estate classifieds springing from the technology. But first Michaels wants to expand on the rock-video format.

"Reggae sells really well in certain areas, like Miami, L.A. and college towns," he says. "So, I can go to Chris Blackwell at Island Records in London and say, 'I've got a deal for you!'" Michaels might charge Island \$40,000 a month to promote UB40's new record

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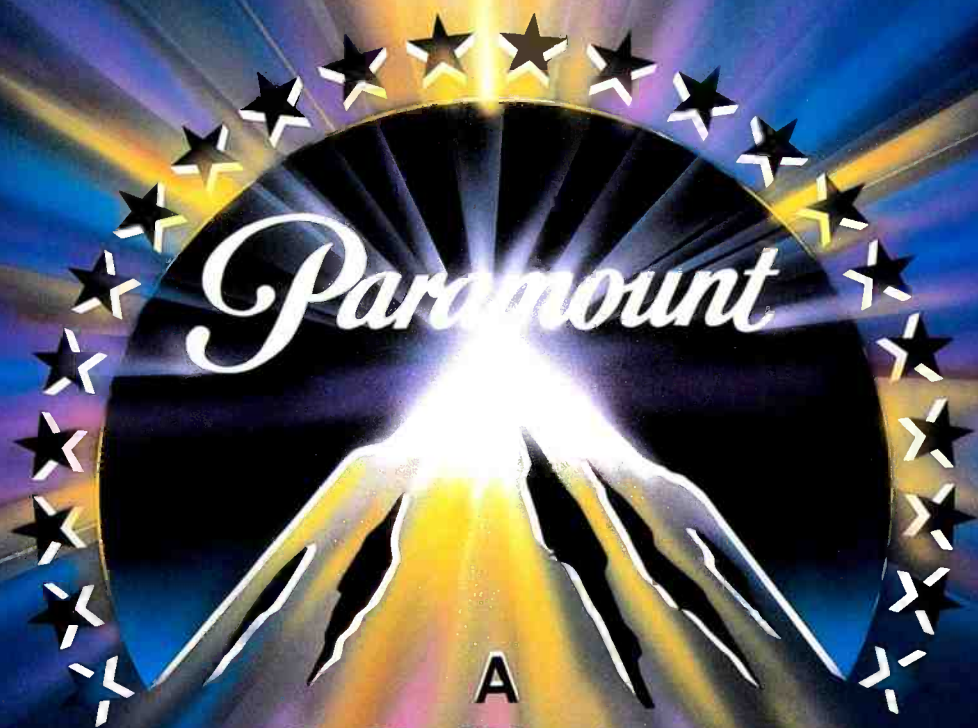
BROTHERS is award-winning comedy with a proven track record. And now, it's finally coming off cable and available for syndication in '89. One hundred and sixteen episodes young, this family comedy has incredible appeal with young demos.

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Covering News Where Networks Fear to Tread

South Africa Now makes mark for tiny independent producer.

SoHo isn't a prime spot to put a television production company in New York City. The neighborhood is populated mostly by artists and galleries, expensive boutiques and restaurants. But one floor above the Broome Street Bar, three ramshackle rooms are filled with television equipment and people, and the place is buzzing. Rory O'Connor presides over the bustle from a desk crammed into a corner of the back room, which overflows with stacks of books, tapes and documents. Shooting and editing schedules fill a bulletin board on one wall.

This tense tangle of activity happens because O'Connor's company, Globalvision Inc., is producing, for less than \$10,000 an episode, a weekly half-hour news magazine called *South Africa Now*. (More than half that budget comes in the form of production facilities and assistance from New York public station WNYC, which gets the program's first run in return.) The show is making noise. Critics of the Big Three news operations have lauded SAN for stories and pictures that the networks have avoided since South Africa's imposition of tough press restrictions almost two years ago.

Major newspapers have universally praised the show and political figures including South African Archbishop Desmond Tutu and Dennis Goldberg of the banned African National Congress, have publicly proclaimed the importance of *South Africa Now* in the dissemination of news about the country.

Launched last April on the International Television Network, which feeds an overnight block of programming to a network of more than 100 small commercial stations, the show may soon find a home on PBS. (The only public stations now carrying SAN are WNYC and WNET in New York.) O'Connor is in negotiations with the Public Broad-



Since April '88, *South Africa Now* has broadcast images and stories the networks have avoided.

casting System and with Charlayne Hunter-Gault of PBS's *MacNeil/Lehrer NewsHour*, who may participate in the show if it moves to PBS.

"There's been a lot of altruism involved" in SAN, says O'Connor, noting that the highest salary paid to any staffer, including former National Public Radio White House correspondent Carolyn Craven, who coanchors the show, is \$400 a week. ("Me and South African diamond miners have about the same salary," Craven quips.)

But O'Connor frankly admits that he thought *South Africa Now* would allow his year-old independent production company to "make a mark."

"We have a story that nobody else covers," O'Connor says. "If I were saying, 'How can an obscure, underfunded, unknown, new, little production company get some attention paid to it?' Well, one good way is to go report a story that's sitting there, a really important story that for whatever reason is not being adequately covered elsewhere."

Recent shows have indeed delivered images and stories that have been absent from network newscasts, including coverage of the bombing of the headquarters of the National Union of South African Students, the government's threat to close down *Vrye Weekblad* (the first Afrikaans-language opposition newspaper) and images of the sorry state of medical-care facilities for blacks under apartheid.

South Africa Now shoots about one

third of its material in New York, interviewing political figures as they pass through. Of the remainder, SAN buys most footage from TV news services such as Afrovision, but about one third comes from a variety of journalists, film makers and producers working in South Africa. Government reprisals have yet to fall on the show's South African correspondents, although one reporter saw half a hidden cache of videotapes confiscated as he left for the States last summer. O'Connor doesn't expect the move to wider viewership on PBS would put his correspondents in deeper danger. Perhaps, he posits, government reprisals might be less likely if the show were more visible—the government's actions would get greater news coverage.

The correspondent arrangement, O'Connor admits, makes decisions on which footage to air far easier than at a network. Because government reprisals threaten SAN's correspondents, not Globalvision, they make the call.

"They're experienced," says O'Connor. "They're on the ground, and we let them decide. The networks have more to lose. We don't have a bureau in Johannesburg that can be shut down." The show is proving, however, that the South Africa story has not disappeared. "I think what *South Africa Now* demonstrates is that the pictures are there," O'Connor says, "if you have the will to put them on the air."

CHUCK REECE

Honoring The Unswerving Commitment To Excellence

Making television with an unswerving commitment to quality is not easy these days. *Channels* saluted seven such endeavors in our November issue, and gathered with the honorees and friends from the television industry at the Yale Club later

that month to celebrate our fifth annual salute to excellence.

Honored at the celebration were HBO's *Bridget Potter*; *Cheers*' Les Charles, Glen Charles and James Burrows; documentary makers Paul Fine and Holly Fine; ABC affiliate WBRZ in

Baton Rouge; Arts & Entertainment's Peter Hansen and producer/director Mick Jackson for *Race for the Double Helix*; Larry Lancit and Cecily Truett, creators of Public Television's *Reading Rainbow*; and *Nightline* producer Richard Kaplan.



Editor Merrill Brown (far left) with Larry Lancit and Cecily Truett. WBRZ's John Spain (right) with executive editor Peter Ainslie.



A&E's Peter Hansen (right) with publisher Joel Berger. *Nightline*'s Rick Kaplan (far right).



Paul Fine and Holly Fine (left). HBO's *Bridget Potter* (right) with Don Taffner.



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What's On

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Made In USA

by Richard Katz

JANUARY 4-7: GTG's USA Today, struggling for viewers in its homeland, makes its debut in the **People's Republic of China**. "The Chinese tell us it's going to be extraordinarily popular there," says **David Champtaloup** of **Fremantle International**, who is handling the show's foreign sales. "China has been moving forward into the 20th century, and this will be their single opportunity to get a look at what's going on in the United States." About 300 million people—60 percent of China's TV coverage—will have access to the weekly, weekend version of *USA Today*. The show is received via satellite in Shanghai, where it is videotaped. Copies are then distributed to regional TV stations with a Mandarin voice-over at a four- to seven-day delay. Champtaloup says the Chinese have the option to delete certain material they think is "culturally inappropriate."

JANUARY 22: Hoping it will be the money-making blockbuster that both the **Olympics** and the **World Series** proved not to be, **NBC** airs **Super Bowl XXIII**. Advertisers have confidence it will score, and by early November had purchased all available commercial time. The average unit price, \$675,000 per 30-second spot, exceeds what **ABC** got for the 1988 Super Bowl by \$25,000. Because Super Bowls have been one-sided blowouts in recent years—the average margin of victory of the last five is 28 points—ratings have been slipping by the fourth quarter. Last year's 42-10 **Redskins** stomping of the **Broncos** peaked at a 43.4 Nielsen rating in the first half but dropped off to 37.7 by the game's end. A close game this year could really boost profits for NBC, which reportedly paid the **NFL** \$18 million for broadcast rights.

JANUARY 23-27: The 26th annual international program conference of the **National Association of Television Program Executives** invades Houston with a projected 7,200 attendees. This year's theme is "The Art and Impact of Television," and **NATPE** president **Phil Corvo** says writing will be a major topic

at the conference.

"Writing is where the art of TV begins," he says, "and this was proven by the writers' strike." In addition, a general session called "Writers" will feature moderator **Dick Cavett** and panelists **Steven Bochco**, **Stephen J. Cannell**, **Fay Kanin**, **John Marcus** and **Bruce Paltrow**. **Michael Eisner**, chairman and CEO of **The Walt Disney Co.**, will be the keynote speaker at the opening general session/brunch.

JANUARY 28-FEBRUARY 1: The **National Religious Broadcasters** hold their 46th annual convention and exposition in Washington, D.C. This year's theme is "Jesus Christ as Lord," and **NRB** spokesman **Nels Ortland** promises the extravaganza will be both informative and uplifting. "We'll have five days

packed with more than you could possibly take in," says Ortland. He expects over 5,000 people to attend the event, which will include sing-a-long sessions, concerts and a final-ceremony appearance by Rev. **Jerry Falwell**.

JANUARY 31: The **FCC** has until today to issue a new set of indecency rules to comply with a bill former President **Ronald Reagan** signed into law on October 1. The law requires the **FCC** to enforce its indecency policy 24 hours a day, which eliminates the previous 10 P.M. to 6 A.M. safe harbor. "We will comply with the law," says **Richard Bozzelli**, special assistant to the **FCC**'s general counsel, to which **Bob Hallahan**, director of the **National Association of Broadcasters**' news bureau, responds, "If the **FCC** enforces that, we'll fight it in court." ●

CALENDAR

Jan. 24-27: **NATPE** International 26th annual convention. George Brown Convention Center, Houston. Contact: Jayne Wallace Yollin, (213) 654-5910.

Jan. 27-28: **North American National Broadcasters Association** annual meeting. Maria Isabel Sheraton, Mexico City. Contact: Spencer Moore, (613) 738-6553.

Jan. 28-Feb. 1: **National Religious Broadcasters** 46th annual convention and exposition. Sheraton Washington and Omni Shoreham, Washington. Contact: Nels Ortland, (201) 428-5400.

Jan. 31-Feb. 2: **South Carolina Broadcasters** annual winter convention. Embassy Suites Hotel, Columbia, S.C. Contact: Richard Uray, (803) 777-6783.

Feb. 2-4: **Radio Advertising Bureau's** ninth annual Managing Sales Conference. Loews Anatole, Dallas. Contact: Gail Varricchio, (212) 254-4800.

Feb. 3-4: **Society of Motion Picture and Television Engineers** 23d an-

nual television conference. St. Francis Hotel, San Francisco. Contact: Anne Cocchia, (914) 761-1100.

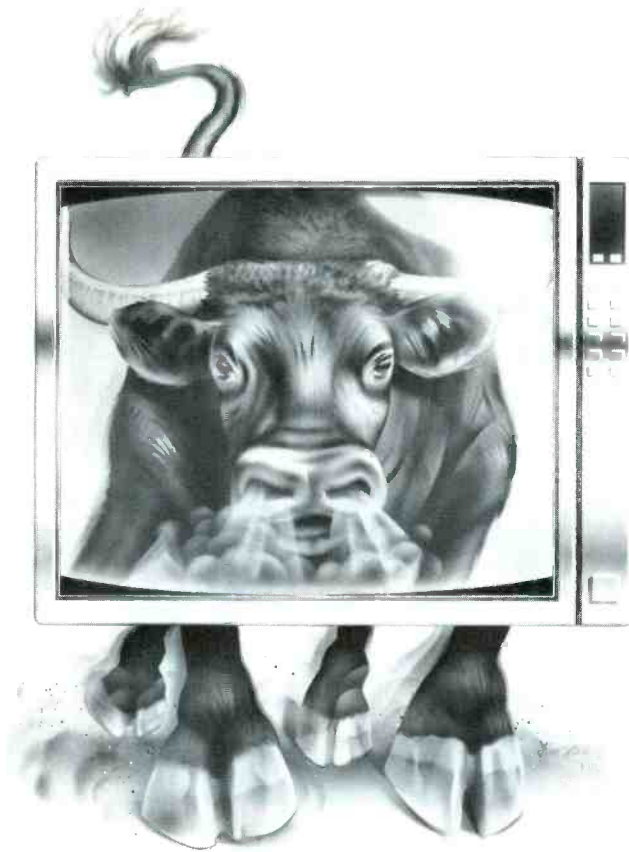
Feb. 6-7: **National Association of Broadcasters Managers Roundtables**. Ramada Renaissance Hotel, Atlanta. Contact: Sheila Perkinson, (202) 429-5420.

Feb. 7-8: **Arizona Cable Television Association Annual Meeting**. Sheraton, Phoenix. Contact: Susan Bitter Smith, (602) 257-9338.

Feb. 8-9: **National Association of Broadcasters Managers Roundtables**. Sheraton Plaza La Reina Hotel, Los Angeles. Contact: Sheila Perkinson, (202) 429-5420.

Feb. 10-12: **Oklahoma Association of Broadcasters** winter meeting. Tulsa Marriott hotel, Tulsa. Contact: Linda Saunders, (405) 528-2475.

Feb. 13-17: **Video Expo and seminar** program. San Francisco Civic Auditorium, San Francisco. Contact: Ellen Greenfield, (914) 328-9157 or (800) 248-KIPI.



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Mutual Aid Society

by Adam Snyder

What's good for cable in Little Rock is also good for independent KLRT.

Elaine Cornett didn't think she could hold out much longer. Two and a half days without sleep, staring at the television screen, had taken its toll. Consciousness had become so problematic she could no longer even feel the snap of the rubber band around her wrist that for the first day and a half had helped prevent her from dozing. Even the five-minute break she was allowed each hour had become an agonizing tease. It was more like a scene from Stanley Kubrick's *A Clockwork Orange* than from the weekend Watch-A-Thon intended to promote jointly KLRT in Little Rock, Ark., and Storer Cable.

A local broadcaster selling a block of airtime to its cable outlet to jointly promote themselves? A few years ago, that would have been unheard of, the equivalent of Ted Kennedy hosting a talk show on Fox or Nancy Reagan gossiping with unauthorized biographer Kitty Kelley. The lines were more clearly drawn then. Everyone knew that cable was the broadcaster's sworn enemy, a big bad interloper forcing the public to pay money for a TV signal and, worse, grabbing ad dollars away from over-the-air stations. Any broadcaster cavorting with such an obvious enemy was either a fool or a traitor.

But times have changed. Suddenly KLRT is at the forefront of a growing consensus that it actually makes economic sense for stations to cooperate with their local cable operators. (See related story, "Learning to Play In Sweet Harmony.") With the future of must-carry up in the air and many indies uncertain of their ability to reach viewers, they are facing the issue of cable carriage head on.

At the outset of KLRT's Watch-A-Thon, 16 contestants sat in front of eight television sets to see who could keep their eyes open the longest. Security guards from Little Rock's Professional Security Academy patrolled the premises to make certain no one's eyelids drooped for more than the allotted rest periods. Wendy's restaurant provided hamburgers, and the station do-



ated free bottles of Visine. But hour after hour, the ranks dwindled as kids' shows from Nickelodeon and Disney gave way to talk shows from Lifetime, to comedy and music specials from HBO and Showtime, to KLRT's own Thriller Theater, with such classics as *Creature from the Black Lagoon* and *Mole People*. By the 55th hour, only three sleepless wonders remained. For the umpteenth time they squirmed on their deviously plush La-Z-Boy recliners, trying desperately to find the optimum comfort level—somewhere between unbearable pain and contest-ending pleasure. But when it came time to sit through the 1957 horror flick, *Monolith Monsters*, it was too

much for any of them. Mercifully they agreed to split the \$1,014 prize money.

KLRT station manager Joe Swaty was careful to use marathon endurance-event guidelines from the *Guinness Book of World Records* so that he could petition for a new Guinness category as the longest-watched TV station in the world. (In the end, Guinness turned him down, saying TV watching was too passive.) But the promotion was more than a laughing matter to both KLRT and Storer. From Storer's point of view, the benefits were obvious. The first 24 hours of October's weekend Watch-A-Thon were almost exclusively devoted to cable shows, interspersed with advertisements for installation discounts and upcoming shows aired only on cable. According to Dottie Lane, Storer's sales and marketing manager in Arkansas, the Watch-A-Thon increased Storer's normal sales activity by 20 percent. "Even after factoring in the cost of the time and my share of the print and broadcast promotional costs, it was definitely a net gain," she says.

To traditionalists, however, it is a gain carved out of the backs of broadcasters. The notion of an independent station turning its signal over to cable



Viewers at KLRT's Watch-A-Thon: They didn't make Guinness but ratings and cable hook-ups rose.

programming for an entire weekend remains unthinkable to many station managers. And at first glance, it does seem strange for KLRT to promote its competition so aggressively. After all, come Monday morning, KLRT returned to its regular fare of old movies and network reruns, a far cry from the much glitzier cable movies and specials it airs during these promo weekends.

Just as a broadcaster would be reluctant to promote the programs of another station, encouraging viewers to turn to the likes of HBO or ESPN is still seen by some as tantamount to *Newsweek* promoting *Time*. "We still look at them as competition, as a slick operation that can turn our viewers away," says Lyle Schulze, program manager at Milwaukee's WVTU, Channel 18. "If HBO is offering a first-run movie and we're offering a twelve-year-old rerun, how can you say we're not at a competitive disadvantage? I have a problem running an advertisement for Cinemax or HBO, particularly if it's one that emphasizes how great they are because they're commercial-free." This attitude seems now to be in decline, however. In stark contrast to the atmosphere of just a few years ago, when broadcasters feared for their lives in the face of an exploding cable industry, there seems to be a growing if-you-can't-beat'em-join'em mentality among independents everywhere. The same case can't be made for affiliates, of course. Having witnessed a steady erosion of viewers since cable first came of age, they have every reason to be wary of doing anything that will lure viewers to cable.

But many broadcasters have come to the conclusion that the situation is different for independents, particularly UHF indies. The October promotion marked the third time within the past year that KLRT has sold large chunks of its airtime for cable programming. KLRT's Joe Swaty believes that the benefits of linking his station's fortunes to cable outweigh any negatives. "We've gone as far as we can go over the air," he explains. Swaty also claims that with Storer paying for the airtime and allowing KLRT to include advertisements for its own movies, his post-promotion ratings rise by as much as a full point.

More than most station managers, Swaty has reason not to feel threatened. KLRT's ADI covers 38 sprawling counties, many of them mountainous, and some viewers are unable to

pick it up over the air. Says Swaty: "Our future lies in cable. The more homes that hook up, the better for us."

More and more broadcasters seem to share this attitude, recognizing that their viewers are not going to use A-B switches and that the swing is from the networks to the indies, rather than from the indies to cable. Observers point to mature markets like San Diego, where local television has thrived, not died. "You have to dismiss the word *competitor*," says Bill Canfield, cable-relations director at Dallas' KDAF. "Cable is the retail distributor, and we're the wholesale product."

Little Rock's KLRT has been one of the most aggressive indies in the country in touting the benefits of allowing a local cable company to reach nonsubscribers by buying their over-the-air signal for an evening or, in KLRT's case, for a weekend. But KLRT is certainly not alone in this regard. Swaty



KLRT's Joe Swaty: "We've gone as far as we can over the air. Our future lies in cable. The more homes that hook up, the better for us."



Storer's Dottie Lane: "I can advertise that *Rambo* will be on HBO this month but I don't say watch it Monday night at 8."

presented the concept at the INTV convention in Los Angeles last year, and the idea seems to be catching on. Last April, as part of National Cable Month, the National Academy of Cable Programming (NACP) put together a six-hour compilation of programming from various cable premium channels and cleared it for broadcast over any independent station in the country. Although the special aired in only 32 markets—in 18 of these on a Home Shopping Network affiliate—NACP spokesman Jim Boyle says that the effort has encouraged other indies to explore similar events with local cable.

Free previews are, of course, not the only way indies and cable companies cooperate with each other. Community-service projects, such as the benefit planned by KLRT and Storer Cable in support of a local cancer research organization, are becoming increasingly common. Most stations are now willing to accept cable advertising, and to place their own spots on ESPN and CNN. Still, both sides take pains not to step on the other's toes. "I can advertise that *Rambo* will be on HBO

this month," says Storer's Dottie Lane. "But I don't say watch it Monday night at 8." Print advertising is another area where indies and cable work together. Newspaper ads for a particular indie program often note where the station can be found on the cable box. KLRT is also one of many stations that utilize the billing notices of a cable operator as an efficient way to advertise their own programs.

All this harmony tends to obscure the fact that in the new kissy-kissy atmosphere, cable clearly has the upper hand. The only thing an independent brings to the alliance is programming that the cable operator might not otherwise be able to offer—local sports, for example, or reruns of a few network classics. A cable company, on the other hand, particularly since the elimination of must-carry, is in a position to offer an indie something much more vital: a chance to survive in a world where non-

cabled indies have virtually no access to half their potential viewers.

In some areas, this lopsided relationship has turned nasty, with a few cable companies reportedly demanding cash payments in return for carriage or even a desirable position on the channel-selector box. Independents know full well that they have been placed in a vulnerable position, and they are doing everything they can to court their local cable systems. An increasing number of stations have hired a full-time manager of cable relations. Others have turned to one of a growing number of consultants who specialize in helping broadcasters get the best service possible from their cable outlets. Paul McCarthy, who heads Broadcast/Cable Associates of Boston, tends to eschew the elusive and, to his mind, double-edged benefits of free previews, in favor of more nitty-gritty concerns like carriage and channel positioning.

In the end, the issue is no longer whether independent stations consider cable to be a partner or a competitor. It has become increasingly clear that it is both. ●



Oprah's b

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THE OPRAH WINFREY SHOW continues to tip the scale as the #1 talk show. With measurements like these, the chances of the competition outperforming Oprah get slimmer and slimmer.

She's growing so fast, there's no telling how big she'll get!

Source:
1. NSS 10/31 - 11/25/88
11/2 - 11/27/87

2. Nielsen meter
overnights 11/3 - 11/30/88

3. NSS 11/15/88

#1	New York	WABC
#1	Los Angeles	KABC
#1	Chicago	WLS
#1	Philadelphia	WPVI
#1	San Francisco	KGO
#1	Boston	WCVB
#1	Detroit	WXYZ
#1	Washington	WUSA
#1	Dallas	WFAA
#1	Houston	KHOU
#1	Atlanta	WSB
#1	Seattle	KIRO
#1	Miami	WPLG
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#1	Sacramento	KXTV
#1	Hartford	WFSB
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Want a Local Meter?

by Michael Couzens

Arbitron has placed a sizable wager that local television markets need people meters.

Control Data Corp.'s Arbitron Ratings Co. subsidiary is wagering a bucket of marbles on television-industry acceptance of a local people meter. If the company is right, TV stations—at least in the 20 top markets—will acquire a powerful antidote to the shrinkage of spot television's slice of the advertising pie. If Arbitron is wrong, however, it may find the going much tougher in its competition with The Dun & Bradstreet Corp.'s A.C. Nielsen Co. for the local TV audience-measurement business.

Until this month, a trial of Arbitron's innovative ScanAmerica service in Denver was the only operating local people meter in North America. There, meters are installed in some 600 households—the vanguard of a planned nationwide service to sample as many as 19,000 homes by 1995, according to Pete Megroz, Arbitron's vice president for television sales and marketing.

ScanAmerica is more than just a people meter. The service provides "single-source" data, which, because customers use home scanners to record the bar codes from groceries they buy, means ScanAmerica can correlate a home's buying behavior with its viewing patterns. Such data is quite interesting to ad-agency media planners and national advertisers' brand managers. But stations aren't yet convinced they need the product-purchase data.

For more than a year, ScanAmerica has been Arbitron's source of local market data for Denver. The company plans to begin local market service in Sacramento, Calif., and in at least two other of the 20 top markets by 1990, Megroz says. Meanwhile, ScanAmerica will be used to create a "mini network report," with a panel of 1,000 meters in New York, Chicago, Los Angeles, Dallas and Atlanta. The stage is set for direct competition between a Nielsen passive meter and an Arbitron people meter beginning in Sacramento, according to Megroz. Depending on sta-

Michael Couzens is a San Francisco-based writer and attorney.

tion response, the number of meters in any "mini-network" city could be increased to provide a local report there.

Norman Hecht, president and CEO of Norman Hecht Research Inc., a research and marketing firm that advises local TV stations, notes that the thrust toward local ScanAmerica panels "is a way for Arbitron to differentiate itself from and outflank Nielsen. I totally support it but have large reservations about the immediate prospects."

Station reactions are guarded also. One Denver UHF independent, KDVR, subscribed to ScanAmerica, using it as a local-meter service for two years, but chose not to renew it last fall. "Our overall prime time viewing was lower in ScanAmerica," as compared with Nielsen passive meter measurement, according to Terence Brown, KDVR vice president and general manager. "Kids were way down. I program five hours a day for kids."

That left only one ScanAmerica subscriber in Denver—NBC's owned and operated KCNC. Station president and general manager Roger Ogden says ScanAmerica data so far is "of dubious benefit to KCNC." He adds, however, that he sees "real opportunity" for using product-movement data to match advertisers with shows whose viewers buy more of the advertisers' products. "The biggest question is whether the client or agency will use the data,"

Ogden says. "That won't be known for another year or two." Right now, the loss of apparent audience registered by ScanAmerica presents a hurdle. "We found dramatic differences between ScanAmerica and Nielsen set meters," Ogden says. "Homes using television are typically down five or six points according to ScanAmerica."

"Arbitron has tested ScanAmerica, but it hasn't completely validated it—yet," says Hecht. He contends that with only 300 to 500 households, a sample may be too small to pinpoint true correlations between local viewing and product purchase. Megroz disagrees with that assertion, however.

New people-meter ventures are also being promoted in the wake of the failure last year of AGB, which, after losing \$67 million, left the meter business to Nielsen.

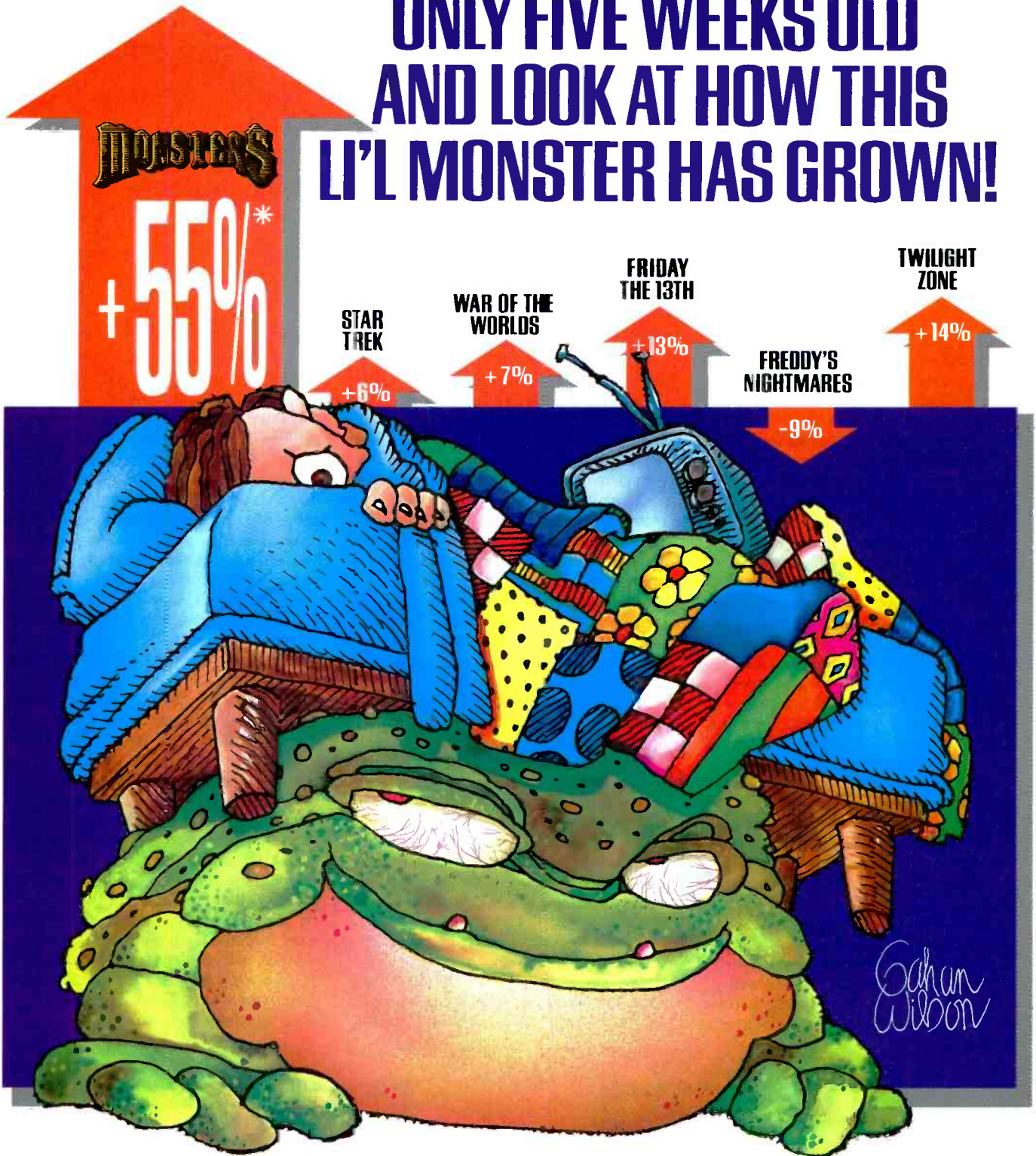
ScanAmerica's progress will be watched with greatest interest, of course, by Nielsen. This month, Nielsen is inaugurating its first local people-meter panel, a sample of 300 households in and around New York City. Now, Nielsen has passive meters in 17 markets, with Milwaukee and St. Louis scheduled for May.

So Nielsen is letting its competitor walk the high wire. Nielsen states only that it plans to build up the New York sample to 800 households by 1990. ●

"Single-source" data: Arbitron ScanAmerica panelists record the products they buy and the shows they watch, so buying behavior can be correlated with TV viewing.



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TM

Tools of the Trade

by Chuck Reece

Sales aids offer once-unaffordable luxuries like 'spec' spots for new advertisers.

It was impossible to get to most sessions of the Television Bureau of Advertising's convention last October in Las Vegas without walking through a phalanx of exhibits set up by companies selling specialized sales tools to TV stations. Don't get the idea that the conventioners, salespersons from stations large and small, were displeased with the sellers' presence. Local sales people need the help. National spot and local spot, the two ad categories that feed local TV, for several years have grown far less quickly than competing TV categories.

The business of sales tools has expanded rapidly in response to sluggish revenue growth. There's no question the number of firms offering such tools has grown in recent years, says Harvey Spiegel, senior v.p. for research and marketing at TvB. Many such sales consultants chase national spot dollars for stations, as do most marketing programs being tried by rep firms. Fewer consultants help stations dig new ad revenue out of their own markets.

But the local field is fertile ground in the eyes of Lynn Bennett, president of Nashville-based Broadcast Resource Group. Almost 18 months ago, a former business partner of Bennett's started Commercial Video Library to sell generic commercials, in a variety of retail categories, to TV stations. Bennett's

BRG has since bought 100 percent of CVL, and CVL's commercial packages are hot: By October, Bennett had sold CVL on an exclusive basis to stations in more than 130 markets, more than 60 percent of the 212 ADIs in the U.S.

The program works like this: A station that contracts with CVL receives a monthly reel of 20 spots. One reel from 1988, for example, had spots for satellite dishes, luggage stores, roofing companies and exterminators, among others. The spots, to which stations buy 12-month licenses, can be customized for specific advertisers. Different formats and separate, changeable music, voice and video tracks allow advertisers to manipulate the spots to their liking. Stations pay by market size, from \$1,500 a month in the smallest ADIs to \$10,000 a month in the largest. CVL follows up with support service, giving subscribers training programs, marketing ideas and methods to sell the spots to new advertisers.

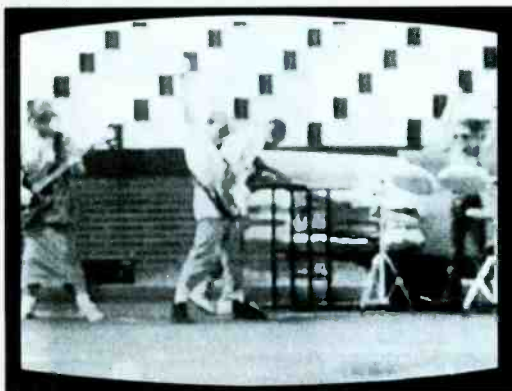
"New" is the key word. The spots offer stations a chance to pitch advertisers that have never been on TV. CVL spots allow stations a previously unaffordable luxury, the ability to take a potential advertiser a "spec spot."

"Local advertisers are scared to death about creating a commercial," says Pat Niekamp, local sales manager at Minneapolis ABC affiliate KSTP,

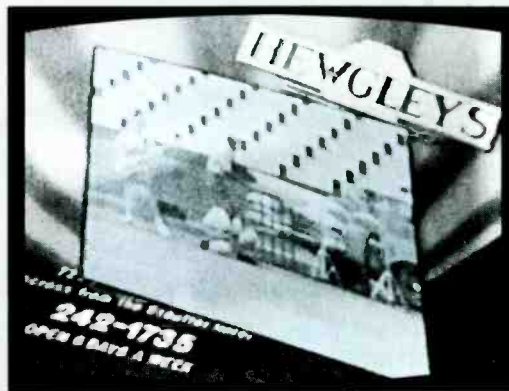
which first subscribed to CVL in July of '88. "They read in the paper about how Pepsi signed Michael Jackson to a million-dollar deal. There's a big misconception about the cost of a good-selling TV commercial." Showing such a prospect a CVL spot made for his business category, she says, "knocks down that objection from the beginning. My own crew might have been able to do the spot, but he [Bennett] has efficiencies when 130 stations are sharing the expenses."

There is efficiency for stations, too, which profit from fees advertisers pay to use CVL spots. "We want the stations to get back twice what they're paying for [the spots] just in fees," Bennett says. "And then we want them to sell time worth ten times their monthly rate." The fee an advertiser pays, however, remains lower than the cost of producing a similar spot.

"Could I match it cost for cost, producing in-house? I couldn't," says Jim Zaroda, local/regional sales manager for ABC affiliate WNEP in Wilkes-Barre/Scranton, Pa. "If we tried to, I would still not get some of those people on the air. Really, I don't care if I sell a cut from the CVL reel or not. It doesn't matter. All you're doing is trying to start a conversation about television. The by-product of that door opening is that television gets sold." ●



Commercial Video Library sells stations generic retail TV spots, like this one for a music store, and stations in turn customize and sell them to local advertisers.





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Camcorder Assault

by J. Max Robins

There are 2 million video cameras in circulation, and that fact is changing TV news.

Saturday night and neobohe- mians, punks, skinheads, un- repentant hippies and street people fill the main arteries of New York's East Village. Three weeks earlier, a demonstration protesting a midnight closing of the neighborhood's main park, Tompkins Square, had escalated into a full-scale riot in the early Sunday morning hours. When police squared off against the demonstrators and virtually everyone else in billy club range, a couple of locals had their video cameras rolling. The next day amateur footage of the bloody confrontation dominated local newscasts.

On this night, in the kinetic scene, it seems violence could break out again. Clayton Patterson, whose refusal to surrender to a grand jury his videotape of the East Village riots landed him in jail for a week, is prowling the streets with his camcorder.

Patterson spots the producer of a New York newscast whose news department purchased his riot footage, sitting at an outdoor cafe. Patterson collars the producer and touts himself as the vanguard of the camcorder army, ready to record injustice wherever it strikes. Patterson's spiel ends abruptly when a shoeless, shirtless man careens past them, repeatedly screaming that his appendix is bursting and his head is exploding. He whirls through the sidewalk cafe and then into the street and oncoming traffic. Patterson has his camcorder rolling, recording one more scene of urban dementia, ending when the man, once seemingly out of control, jumps into a cab.

Patterson sheathes his camcorder and continues his rant about the video army of the people—he wants to continue to bask in the 15 minutes of fame his initial refusal to hand over his tapes gave him. Still, his basic premise is correct—the proliferation of camcorders in the general populace has the potential to greatly expand the scope of news coverage. The Electronic Industries Association estimates that more than 5 percent of American homes have camcorders, which translates to some 2

million camcorders, and that fact is turning the country into a nation of news hounds. Shaky half-inch footage of cops on rampages in the cities, tornadoes whipping across the plains and airplanes toppling into suburbia from the sky is becoming a fundamental element of TV newscasts.

Television news' dalliance with the amateur camcorder army is in its earliest stages. Yet, the sheer number of video cameras out, about and rolling means that even stations that aren't soliciting amateur tape are receiving it over the transom. The camcorder army is already making news history. Case in point: Seattle TV stations recently aired the first footage ever of the FBI apprehending someone on its 10 Most Wanted list—the person who tipped the FBI to the fugitive's whereabouts also tipped a friend, who was there with his trusty video camera.

Behind closed doors amateur videotape has already become a staple on *A Current Affair*. It has aired everything from tapes of preppy murderer Robert Chambers, out on bail and partying with a pack of girlfriends, to a kid's tape of his parents being bounced around by a California earthquake.

TV news organizations under siege from tough competition and tight budgets are becoming increasingly aware that they have a potential nationwide

network of 2 million stringers. A few pioneering news operations have instituted programs to actively solicit amateur footage. And only the foolhardy TV journalist would neglect to ask at the scene of the crime or disaster if anyone had a camcorder rolling.

"What we need to do as an industry," says CNN's managing editor, Cissy Baker, "is to educate the viewers to grab their video cameras when they see news happening."

Cable News Network has probably been the most aggressive in going after amateur videotape on a network level. Since January 1987, CNN has been promoting its "News Hound" service, encouraging viewers to call an 800 number if they have newsworthy footage. CNN even distributes stickers to slap on camcorders with the "News Hound" phone number.

"There's no way we can be in everybody's backyard when a story breaks," says Baker, who is airing an average of three or four "News Hound" stories a month. "Through 'News Hound' we've been able to get footage we would have never had otherwise—a train wreck in Sacko, Montana, a tornado in Hilton Head and that Boeing 737 that peeled like a sardine in Hawaii were all stories we got just because somebody happened to be in each of those places and kept their cameras going."



Since it began last June, Philadelphia's WCAU "Channel 10 Newswatchers" has been generating five to eight stories a month. Several of them have been exclusives.

On a local level, the Philadelphia CBS O&O, WCAU, has had a similar program since last June. Dubbed "Channel 10 Newswatchers," it has already nabbed the station a bunch of exclusives. "One 'Newswatcher' classic was footage two University of Delaware students shot of a tractor trailer accident that closed I-95. It turned into the major story of the day," says WCAU's news director, Jay Newman, whose efforts generate four to eight stories a month. "Another happened when we had a major fire here at 3 A.M. and we got the footage because a volunteer fireman on the scene had a video camera in the trunk of his car."

Such endeavors as WCAU's and CNN's encourage others to do likewise. Randy Covington, news director at KYW, Philadelphia's NBC affiliate, saw the results of "Channel 10 Newswatchers" and updated his station's news hotline to include not only requests for news tips but videotape as well. Frank N. Magid Associates, a leading news-consulting group, is urging all its clients to set up similar programs. And stations, such as ABC's Detroit O&O, WXYZ, and the ABC affiliate in Denver, KUSA, are in the process of independently putting News Hound-style programs in place.

It is easy for news organizations to be wowed by the possibilities of the camcorder army. As Magid's TV consultant Dave Smith enthuses, "There's potential there for the most dramatic thing in TV news—exclusive footage." And it's cheap: Most organizations get amateur footage gratis or pay a nominal fee of \$50 to \$250.

Still, the advance of the camcorder army raises some serious questions. One prime concern is control. A news department eager for an exclusive can too easily fall prey to altered tape or footage that is something other than what it is purported to be. Remember how news operations were duped by the free-lance charlatans who claimed to have videotape of the nuclear accident at Chernobyl that turned out to be footage of a factory in France?

"What is technologically possible in the way of altering videotape certainly raises the question of manipulation," says Gary T. Marx, a sociology professor at the Massachusetts Institute of Technology and author of *Undercover: Police Surveillance in America*. "You always have to ask if what is filmed is representative of what actually happened—if a third party is responsible for the tape the question becomes more imperative."

When news operations use amateur video, the general course of action is to

identify it as such. In part, they do so as a promotional device—it reinforces the news-hound concept and encourages viewer identification with the news department. Moreover, it is a de facto disclaimer, a way news departments can cover their backs. "You have to be extremely cautious when you start using an outsider's footage," says Bob Fasbender, assignment manager at New York's WCBS. "You have to check the person with the tape out as best you can."

WCAU's Newman agrees that each time outside tape comes in it should be



CNN has led the pack in soliciting amateur videotape. Through heavy promotion of "News Hound," CNN plugs directly into the camcorder army network.

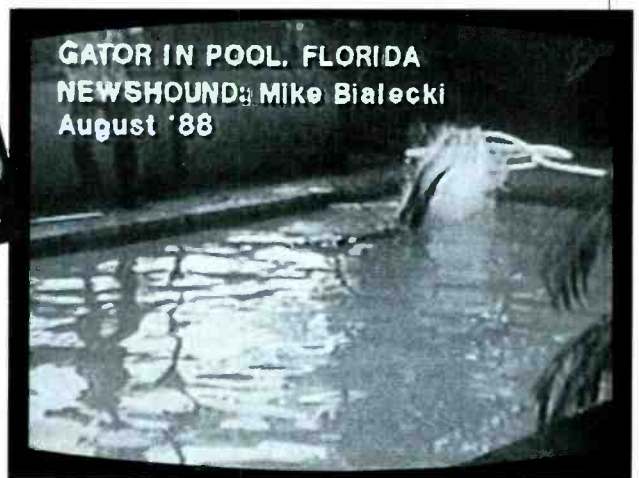
subjected to careful evaluation for authenticity, but, he says, there is a more central concern. Indeed, it is one of the TV news Golden Rules. Says Newman, "With amateur videotape we've found it's a balancing act, between how good is the story and how good is the video."

And there is another balancing act that news operations must be sensitive to when dealing with the camcorder army. The use of amateur footage can raise the ire of their professional staffs. The possibility of news directors flipping through their Rolodexes in search of amateur camcorder aces to shoot something that would normally be done by staffers has already become a concern with unions representing camerapeople. Indeed, part of WCAU's ability to put "Newswatchers" in place was a carefully worded agreement with the union representing its camerapeople: The outside tape the station is allowed to use is only that which its staffers would not have been able to shoot.

"There are potential problems with using amateur videotape," says Magid's Smith. "Questions of compensation and who owns rights to the footage must be addressed." Even a prime promoter of the camcorder army like Smith admits to a down side. Stations with news-hound programs must resist "deputizing" camcorder soldiers, he

cautions. If an amateur flashes his Newsbuff badge to grab footage of a fire or shootout and gets injured in the process, the news operation could find itself liable.

The camcorder army's ascent onto TV news raises still more concerns. The omnipresent videocamera is a potential Big Brother with 2 million eyes. "The fact that there are millions of video cameras out there may wreck havoc with our ideas of privacy," says MIT's Marx. News organizations will be increasingly tempted by amateur tape that may be titillating, but is of dubious



news value.

Back in the East Village, the news producer tells Patterson he's not interested in the footage of the man who went amuck—every once in a while someone's personal tragedy even on tape isn't newsworthy. The camcorder-army foot soldier trundles off into the downtown night.

The news producer sits back down at the sidewalk cafe with a reporter from the *Village Voice* who covered the aftermath of the Tompkins Square riot. The *Voice* reporter castigates TV news for dealing with the likes of Patterson, who has no news affiliation. Patterson is someone with no concern for reporting the news, only for shooting dramatic footage that will increase his own notoriety, he says.

The news producer is incensed at such comments. It's no secret why totalitarian states restrict access to everything from typewriters to personal computers to video cameras, he counters. Gutenberg invented the printing press and a couple of hundred years later democratic movements were breaking out all over. Everybody has the potential now to shoot the news, he declares. Indeed, having all those camcorders out there, the producer concludes, means a healthier Fourth Estate. ●

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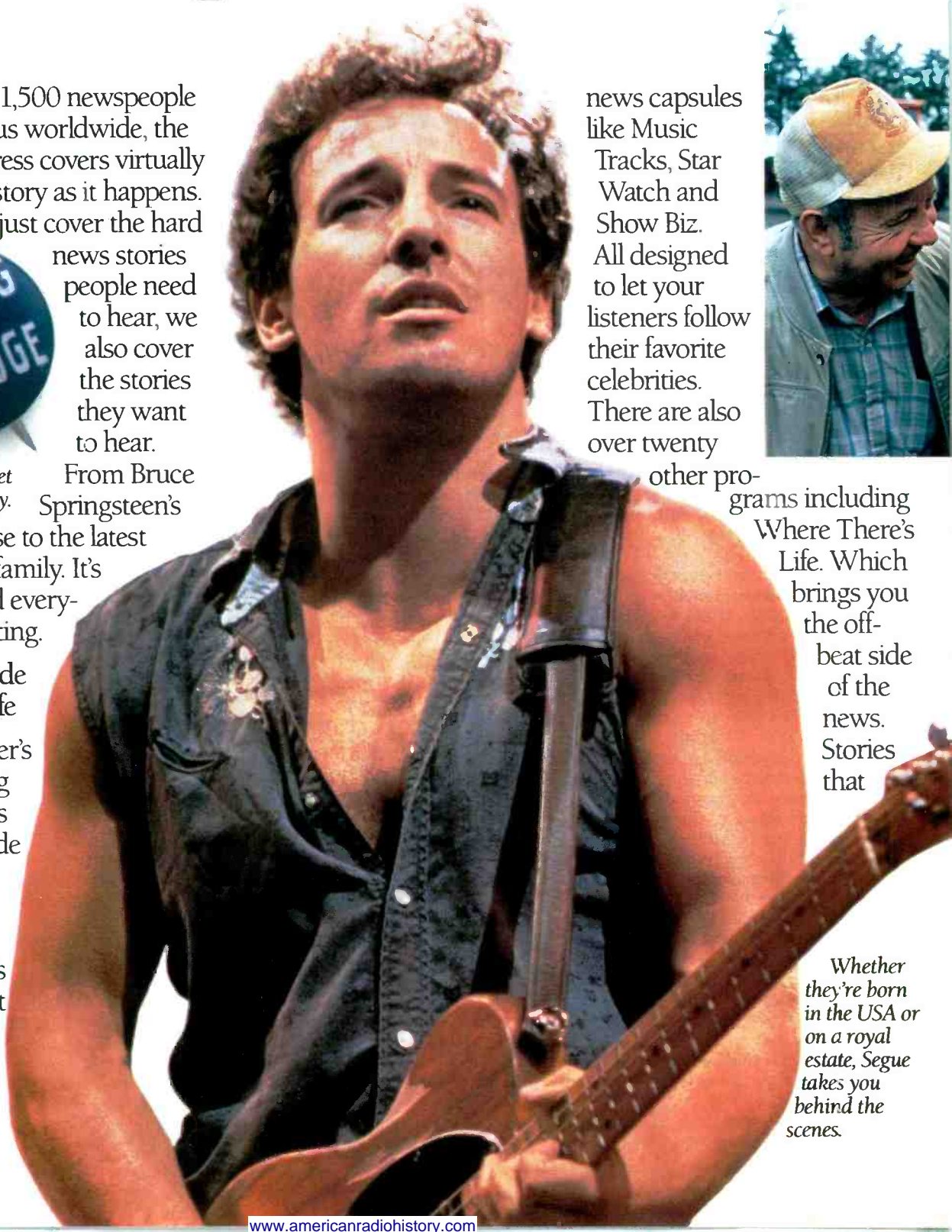
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Whether they're born in the USA or on a royal estate, Segue takes you behind the scenes.



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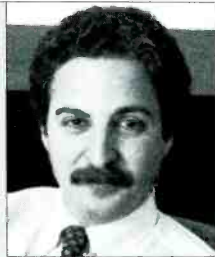


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The Search for Identity

Not long ago, a precocious four-year-old peered into a glass and, noting some lettering on the bottom, asked her father why the phrase "Made in USA" appeared under the apple juice. Her father patiently started to explain when the impatient child then asked: "Why is a TV channel on my glass?"

The four-year-old's remark was just another reminder of the changed nature of the relationship between viewers and program services. The cable dial has become the great equalizer, creating a generation of viewers without their parents' loyalties to television networks. For that child and her peers, USA equals NBC. And the only channel with which she really has a relationship is Nickelodeon, which repeatedly tells her that it is the kids' channel and has the program lineup to back the claim.

Although that relationship is solid—like the relationship between the sports enthusiast and ESPN—few

Two visions, one for the mass audience and the other after niches, continue to plague networks. Neither is reaching viewers.

such bonds have been created between the programming of the '80s and the '90s and today's viewers. And it would seem that building those kinds of bonds is surely one way to help cement the future of a television network, particularly in this period of viewing restlessness, grazing, "impulse" pay per view and the VCR.

All the while, new national services continue to be launched, further confusing the situation, while at the same time some cable leaders voice the view that even more targeted services are necessary. At least one important figure, Cablevision's Chuck Dolan, thinks more services—more carefully targeted ones—is the way to the future. "We should hope that the national broadcast networks will continue to provide the popular programs that peak mass-audience interest in the television medium," Dolan said recently. "These thoughts apply only to network broadcast television. In our view, there isn't anything the independent station does for its community that cable can't do as well or better, including sports, news and syndicated programming.

"I hope," Dolan continued, "cable finally turns itself

to that task—creating more and more of the niche programming that has already contributed so much to the success of our industry—at the same time providing ample channel facility to other program suppliers willing to share these risks with us. Isn't it ironic to see some in cable seeking to duplicate the broadcast networks while the broadcast networks themselves are investing capital in unique cable services such as ESPN and CNBC."

Some very significant people in the cable business take a different view. That's why Turner Broadcasting, with a board representing the majority of the country's most powerful system operators, has made a major strategic bet on TNT, clearly an effort to create mass-audience programming to go head to head with the broadcast networks in that hunt for large numbers of eyeballs (and therefore cable subscribers). Dolan wants to put indies out of business, and Turner and his associates seem to think their mission is to push broadcast viewer erosion even further down.

But even as cable programming matures, viewers still haven't been given enough information to understand cable's offerings. The marketing of cable remains, by and large, second rate. After years of talking about promotion and marketing, only recently has cable begun to take the notion seriously. The Cabletelevision Advertising Bureau has been trying to push system operators into recognizing the importance of tune-in promotion, valuable not only to programmers but also to system managers who are eager to build cable loyalty, decrease churn rates and at the same time do something about cable's low penetration rates. Dolan's view appears obvious in his own regional services, Long Island's News12 and his network of SportsChannels.

Perhaps there is room for both visions. It is not as if broadcasters are exactly rushing in to save their eroding market positions with wild bursts of creativity. Little about the new season, such as it is, would suggest that they've heard the wake-up call. Of the broadcast efforts, only *War and Remembrance* and the sometimes provocative, sometimes tawdry work of the TV tabloids has generated particular enthusiasm. That's not to say the cable programmers have done much better. It's fair to wonder whether cable has missed a golden opportunity to capitalize on the programming tumult caused by the strike, since it's no easier to cite examples of programming breakthroughs on cable services. There's no shortage of entertaining television material out there. Whether networks, even those whose names can be found under the apple juice, are getting through to their public is the problem. ●

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TOM HANKS
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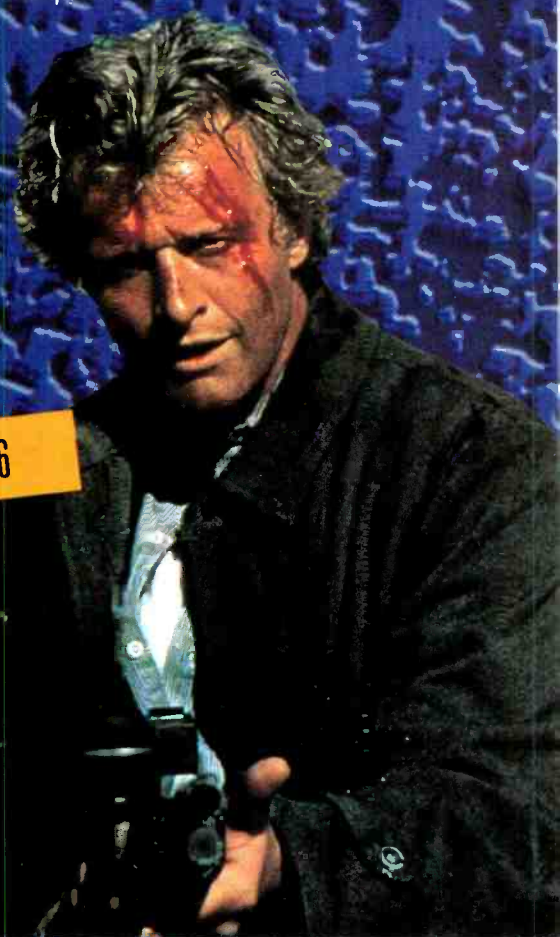
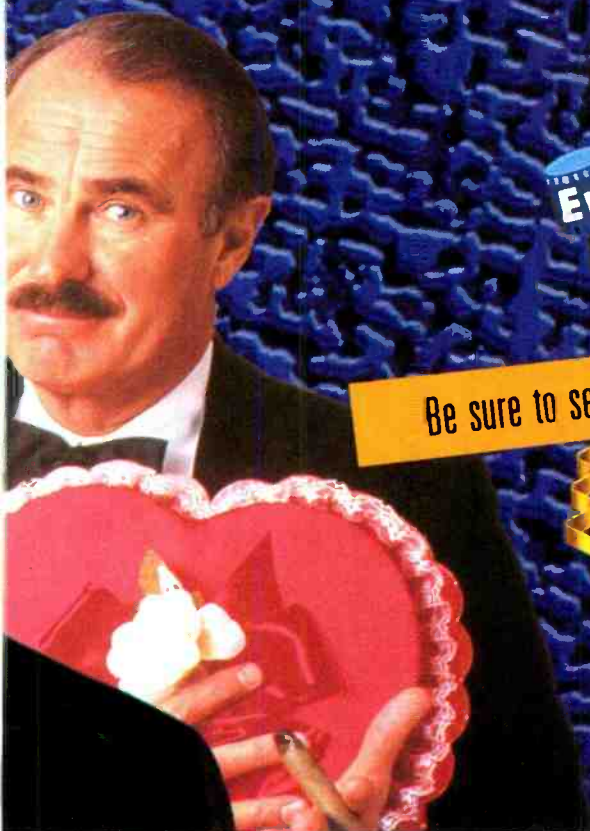
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Verne Gagne: Mauler/CEO

Wrestling To The Top

Once upon a time professional wrestling was a regional freak show. Now it's a national pastime. What's responsible? Television.

.....
by Harvey D. Shapiro

Vincent K. McMahon is at the Waldorf Astoria in New York, holding court. For McMahon, the suzerain of professional wrestling, this is a rare meeting with the press. He's touting the fact that he has bested such boxing promoter heavyweights as Don King and Shelly Finkel for the right to handle the pay-per-view gate for Sugar Ray Leonard's comeback fight against Donny LaLonde. It may not be wrestling, but the chief executive of Titan Sports Inc. has the clout to stretch out. After all, he produces weekly syndicated TV shows that are the wrestling equivalent of *Wheel of Fortune* in the ratings.

Vince McMahon is not one of the wild and crazy guys he interviews when he's doing double duty as a WWF wrestling announcer. In the six years during which he has headed Titan, aka the World Wrestling Federation, McMahon has revolutionized professional wrestling, making it a significant force in television programming. Along with its two prime competitors—the National Wrestling Alliance, recently acquired by Turner Broadcasting, and The American Wrestling Alliance—McMahon's WWF has transformed the sport from a low-rent regional geek show to a national pastime.

For several years now, wrestling programs have regularly comprised three of the top 15 syndicated shows, as well as four of the top ten programs on basic cable. Titan's February 5, 1988, Main Event on NBC, the first prime time network wrestling in 33 years, swept its time slot, drawing 33 million viewers. More-

over, wrestling PPV offerings have garnered record audiences, wrestling videos have consistently been best-sellers, and wrestling-related merchandise—from toys to caps—has become a \$100 million business.

Ten million people went to wrestling matches during the past year, and 30 million watch them on TV each week. The audience is not only in trailer parks and six-flats but in the Princeton Club of New York, where the downstairs TV set is often tuned to wrestling on Saturday.

Although yuppies and their journalistic camp followers discovered wrestling a couple of years ago and gave it a tussle, its life in the mainstream has endured

beyond a brief run as a media darling. In fact, wrestling and TV have become tag-team partners in a match that has earned fat ratings and revenues for TV, while wrestling entrepreneurs have used TV exposure to reshape their industry from a series of small-time promotions to sizable entertainment companies. In the process, they have also transformed their TV shows from a mere promotional expense to a major business. "TV is now a significant profit center in and of itself," says Richard Glover, a senior vice president of Titan Sports. Most markets of any size now offer at least a half dozen wrestling programs on broadcast or cable TV—there are 20 hours a week in Atlanta—and most of them come from the three undisputed world champions of grappling:

- The World Wrestling Federation of tony Greenwich, Conn., not only produces approximately 1,200 live events a year, or four per night, but it uses tapes of those matches to grind out three one-hour syndicated programs each week that are seen on more than 260 stations reaching 97 percent of U.S. households. Each week the WWF also produces three additional programs that fill four hours on the USA Network. It produces four PPV events a year, sells videocassettes and licenses millions of dollars worth of merchandise emblazoned with its gladiators. Titan is currently editing a movie for release this spring entitled *No Holds Barred* and starring its stalwart, Hulk Hogan.

- The National Wrestling Alliance, aka Jim Crockett Promotions, is now controlled by Univer-



McMahon (r.) not only runs the WWF, he hosts its programs. Here, he discusses the sweet science of the mat with Jesse Ventura.

PHOTOGRAPH (BOTTOM) BY TOM BUCHANAN/TITAN SPORTS/WWF

sal Wrestling Corporation, a subsidiary of Turner Broadcasting. Based in Charlotte, N.C., the NWA produces three hour-long syndicated shows each week as The Wrestling Network, as well as three shows totalling four hours for weekly broadcast on Superstation TBS. The NWA is also wrestling advisor to a new syndicated series that bowed this fall called *Learning the Ropes*, starring Lyle Alzado as a teacher and single parent who moonlights as a wrestler.

● The American Wrestling Alliance, aka the Minneapolis Boxing & Wrestling Club, headed by its own former world champion Verne Gagne, has had a one-hour weekly program on ESPN for three years, as well as another one-hour program that it syndicates. Like the other major producers, AWA is now selling its programs in a number of foreign markets.

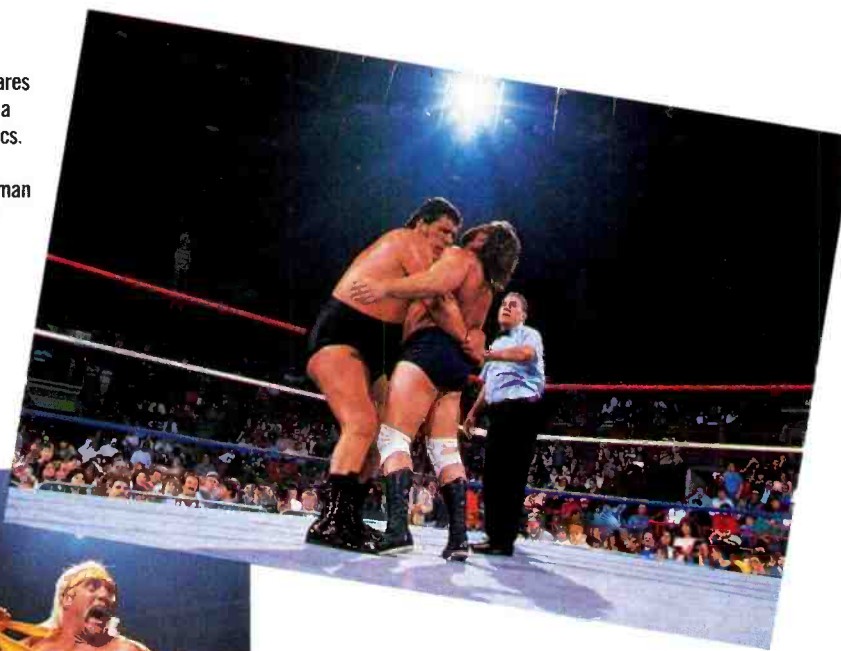
There was a fourth contender—World Class Wrestling, aka Southwest Sports, of Dallas. It still has a spot on ESPN as well as a syndicated program, but it has been distracted by family problems in the dynasty of promoter Fritz von Erich, a onetime wrestling villain who invented the dread Iron Claw.

And lady wrestling, always peripheral to the major promotions, is now gaining extensive TV exposure through such syndicated programs as *GLOW* and *POWW*, respectively the Gorgeous Ladies of Wrestling and the Powerful Women of Wrestling. These shows, which feature scantily clad ladies of decidedly limited wrestling skills shaking their booties, “are in a different market than we are,” says one traditional promoter. What market? “Can I use the words tits and ass?” he says.

All of the major wrestling operations deal in many millions of dollars, but no exact figures are available because they are both highly secretive and privately owned. However, it’s estimated that the king of the pack, the WWF, grosses about \$150 million a year, while the total industry grosses more than \$300 million.

Despite their growth, these businesses operate like neighborhood candy stores: In addition to running the companies, McMahon, David Crockett, and Gagne all serve as commentators on their own TV shows. McMahon’s wife is an executive at Titan; Gagne’s son wrestles in the AWA and works in the front office; and the 14 employees of Jim Crockett Promotion’s include the founder’s widow and four children. Despite the lingering folksiness, the vast purse TV has provided for wrestling has created a battle royal within the wrestling industry, destroying once cozy relationships and threatening a count-out for all of them through that dread TV submission hold called overexposure.

Andre the Giant prepares to give an opponent a lesson in aerodynamics. Below, Hulk Hogan begins to reveal the man beneath the wrestler.



strictly regional businesses, their upside would remain limited not only at the box office but also in the revenues generated by major league sports from national advertising and merchandise licensing. “Vince McMahon was the first of the TV generation to move into a position of leadership in the business,” says Titan’s Glover. “[McMahon] saw that TV could lead [wrestling] out of being a regional business into a national business. TV could serve as a support for the live events, but it could in and of itself open up new opportunities.”

McMahon knew that TV’s appetite for programming was becoming voracious with the growth of cable and independent stations, and the WWF could feed it aggressively. The WWF’s contract with WOR-TV in New York [now WWOR] gave it national exposure when WOR became a cable superstation. Moreover, in many cities, according to David Crockett, “Vince would come in and take the TV established by local promoters and kick it out from under them.”

McMahon offered slicker productions, taped in front of an arena audience rather than in a studio and using instant replays and handheld cameras. Drawing on his background in rock concerts, he made a major effort to link wrestling with rock and roll by giving his gladiators rock-signature music and tying people like Cyndi Lauper to his events.

More fundamentally, McMahon was ready to buy rather than barter time. And when some stations signed on, he required them to drop his competitors’ wrestling programs. The WWF then used its TV programs to build demand for live events in an area. To enhance the appeal of those events, the AWA’s Gagne complains, “McMahon started raiding our talent and bringing them back into the cities we promoted.”

The WWF people say they never raided wrestlers; they simply provided an alternative for the disgruntled. What-

“Up through the 1960s and ’70s, everybody had their own regions and it was all very healthy,” Verne Gagne notes. Vincent McMahon Sr. promoted events from Boston to Washington, Jim Crockett Sr. had the mid-South, and they had well-established counterparts across the U.S. Each promoter had his own relationships with arenas and sub-promoters; each had his own stable of wrestlers including a “world champion,” and each created his own kinescopes (followed by tapes) that were given away in return for promoting upcoming events. “My father used to make four wrestling shows on four different TV stations,” recalls David Crockett, executive vice president of the company that bears his father’s name.

It was a cozy arrangement—one might even call it a cartel. The promoters stayed off each other’s turf; they lent wrestlers back and forth when they were needed; and any wrestler who antagonized one promoter was unlikely to be well received by another.

The WWF’s McMahon changed all that. A former rock and roll promoter, McMahon left the music scene and bought out his father in 1982. As he began pumping up Titan, he saw that as long as wrestling promotions were

ever the case, McMahon was blessed with the arrival from the AWA of a six-foot eight-inch, 302-pound bodybuilder named Terry Bollea. He became Hulk Hogan, a hero of epic proportions who quickly beat Iran's dastardly Iron Sheik to become world champion of the WWF.

As McMahon stepped across the regional lines and hired away wrestlers, he mauled some of his competitors, who now cry foul. "He disrupted the whole industry and put some of the promoters out of business," says Gagne. "It hasn't been good for the industry; it's been good for him but nobody else."

Gagne would have liked wrestling to do an industry-wide deal with TV, like the National Football League. Despite his bitterness toward Vince Jr., however, even Gagne admits, "If McMahon hadn't done it, Crockett would have."

Indeed, as the WWF has expanded its TV exposure and its local markets, Crockett Promotions has been quick to follow. It began offering live events in the Midwest and the mid-Atlantic states, and this year it bought the Universal Wrestling Federation, based in Tulsa, giving it entree to more arenas, wrestlers and TV markets. And the folks at Turner who are now in control say they are committed to improving an expanded NWA. "We've got the resources to upgrade the quality of NWA's product," says Jack Petrik, the president of TBS's Universal Wrestling division. "We bought it to ensure its longevity."

All the same, Petrik concedes that McMahon is the dominant player. "We would be happy with half of Vince's success," he says.

There are still a smattering of local promoters and TV deals. But the WWF, NWA and AWA have a figure-four wristlock on most of the big names, big arenas and big TV markets. The NWA's Crockett narrows it down even further. "As far as I'm concerned," he says, "it's basically Vince and us."

As wrestling has grown from a regional event to a national TV phenomenon, it has been transformed into a serious advertising vehicle. Once upon a time promoters created wrestling shows to sell tickets to their matches—that's where the revenue was. Then, according to the WWF's Glover, they started to figure that the TV shows they had created simply to sell tickets were "programming that stations can get a number with, and you can sell advertising and make lots of money."

Increasingly, blue-chip companies have become aware that wrestling's hip

cachet has staying power. Advertisers like the American Dairy Association and Mars Candies changed their minds about advertising on wrestling not only because the numbers were so impressive but also because, as Paul Attanasio wrote in *The Washington Post*, "Wrestling, like pan-blackened Louisiana red fish and bowling shirts, has become an artifact of baby-boom hip."

Convinced that the audience is full of closet yuppies, advertisers like Coca Cola and Remington continue to sign up. Titan, whose rate card offers 30 seconds at \$35,000, was sold out last year. "We only started syndicating and selling commercial time in July of 1987," says Crockett. "McMahon has been doing it for four years. And in a year's time,

Greg Gagne and his daddy Verne of the AWA: The family that fights together, makes money together.



we've come a hell of a long way."

On the wrestling programs that are now featured on broadcast and cable TV, everybody is always selling something. If the participants aren't shilling for a product, they're pushing upcoming matches. There are taped interviews in which wrestlers spell out at the top of their lungs the precise fate awaiting their opponent in an upcoming local live event. The behemoths tape a series of these interviews, adapting each to a locality, and while these are being spliced into the right tapes they hit the road, typically wrestling for about ten days in a row before getting a couple of days off. Meanwhile, in a typical arrangement, the WWF, for example, not only promotes itself throughout each one-hour program but also sells 5 minutes of national advertising and leaves 7 minutes for the local station.

The WWF has made its programs look like *Wide World of Sports*. They've given each major wrestler a signature song—remember McMahon's training in rock shows—and added fancy lighting and camera work, numerous interview segments and vignettes. There's no blood on WWF wrestling. "Basically, what we are marketing is family entertainment," says WWF senior vice president Basil V. DeVito Jr. "These other guys are still looking toward the hardcore fan."

The WWF is the only wrestling outfit that drops the veil a bit and admits that there is more entertain-

The Grapplers

World Wrestling Federation

- ★ Corporate Name: Titan Sports Inc.
- ★ Headquarters: Stamford, Conn.
- ★ CEO and TV voice: Vincent K. McMahon Jr.
- ★ Broadcast TV: Three 60-minute syndicated programs per week; *Saturday Night's Main Event* on NBC
- ★ Cable TV: Three programs (four hours per week) on USA Network
- ★ Stars: Hulk Hogan, Randy Savage, Andre the Giant, Ultimate Warrior

National Wrestling Alliance

- ★ Corporate Name: Jim Crockett Promotions. Owned by Universal Wrestling Corp., a subsidiary of Turner Broadcasting
- ★ Headquarters: Charlotte, N.C.

- ★ TV voices and senior execs: David Crockett and Jim Crockett Jr.
- ★ Broadcast TV: Three 60-minute syndicated programs per week.
- ★ Cable TV: Three programs (four hours per week) on Superstation TBS
- ★ Stars: Nature Boy, Rick Flair, Lex Luger, Dusty Rhodes

American Wrestling Alliance

- ★ Corporate Name: Minneapolis Boxing & Wrestling Club
- ★ Headquarters: Minneapolis, Minn.
- ★ CEO and TV voice: Verne Gagne
- ★ Broadcast TV: One 60-minute syndicated program per week
- ★ Cable TV: One 60-minute weekly program on ESPN
- ★ Stars: Greg Gagne, Jerry "the King" Lawler, Wahoo Daniel



Lyle Alzado plays a wrestler in the sitcom *Learning the Ropes*. Below, the NWA's Ronnie Gavin tells Alzado he likes his peccs.



ment than competition; their executives will talk in terms of "story lines" and "character development." Of course, we're not talking Thomas Wolfe here. A recent major WWF story line has to do with Jake "the Snake" Roberts seeking vengeance for "Ravishing" Rick Rude's insults to his wife, most notably Rude's practice of wearing tights with a likeness of Mrs. Roberts' face on his rear end.

The AWA's Gagne complains about all this "hype at the expense of wrestling," but it attracts audiences in arenas and on TV. WWF wrestling, which has been on the USA Network for four years, offered a special three-hour extravaganza called the WWF Royal Rumble last year. The cablecast registered an 8.2 rating and a 12 share in Nielsen overnights, making it the highest-rated program ever to appear on the USA Network and the second-highest cable rating in the first quarter of last year.

Fortified by these ratings, Titan restored wrestling to network TV after a 33-year hiatus. Four years ago, it began producing *Saturday Night's Main Event*. The 15 shows preempted—and generally drew higher ratings than—*Saturday Night Live*, with the March 14, 1987, edition scoring an 11.6 rating and a 33 share. This was the highest rating ever recorded for a late-night special, according to NBC. Titan also had a Saturday morning cartoon series, *Hulk Hogan's Rock and Wrestling*, on CBS.

Moreover, with the emergence of PPV, wrestling has applied a bear hug. Titan started in the spring of 1985 with *Wrestlemania I*. *Wrestlemania III*, broadcast from the Silverdome in Pontiac, Mich., drew an audience of 93,173 people, perhaps the largest crowd ever assembled under one roof. *Wrestlemania III* also achieved a 10.2 percent buy rate among 6 million addressable homes—a record. Reflecting the importance of PPV, *Wrestlemania IV* was held last March at a much smaller venue, Trump Plaza in Atlantic City, but it pursued 9

million homes, the largest PPV universe in history. Titan now does four PPV events per year, and Crockett is only a step behind; together with Turner Home Entertainment, he had two PPV events scheduled for 1988.

Videocassettes have also been a key source of revenue. Last year *Wrestlemania IV* was honored as the best sports video of the year by the Video Software Dealers Association. It was Titan's fourth consecutive award. The NWA and AWA also boast a full assortment of videos.

Naturally, all this TV exposure has also created national names that are just right for licensing deals. Hulk Hogan, for example, was chosen as "Male Athlete of the Year" in a poll of viewers of the Nickelodeon Network's "Kid's Choice." A lot of parents of "Hulkomaniacs" are buying lunch boxes, posters, drinking glasses, notebooks and weight-lifting sets—all emblazoned with the Hulkster's visage. WWF action figures were among last year's best selling toys, right up there with Transformers.

Not to be outdone, other wrestling organizations have gotten into the licensing act. "We had a deal with Remco toys that worked out quite well, and we're getting into more of that as we go along," says Gagne, referring to a line of action dolls modeled on AWA wrestlers.

If wrestling can take the U.S. for a major marketing tumbling, why not overseas, where TV is rapidly expanding? "We are now in 40 countries around the world," says Jim Troy, a WWF vice president. Indeed, at the WWF Greenwich headquarters there are plenty of signs that wrestling is going global. Up-

stairs in the giant warehouse, where clerks in blue WWF polo shirts can be seen shipping WWF mugs and WWF visors worldwide, the state-of-the-art post-production facilities include booths where announcers do voice-overs in French and Spanish. Other markets add their commentary in the local patois.

Titan carefully edits out immodestly dressed female fans for the Middle East market. It's worth the effort to adapt to local customs. WWF Wrestling is "the highest rated program in the United Arab Emirates," Troy says. Reflecting its appeal in that part of the world, he adds, "Hulk Hogan recently did a commercial for Mobil Oil in Saudi Arabia—in Arabic."

While TV wrestling both at home and abroad is thriving, the live gate has been hurting in many cities, and there is concern about overexposure. In the days of the cartel, one wrestling show came to a city each month. Now the big promotions find themselves competing for—and dividing up—the live-event dollars in city after city.

Still, they feel they have to do it, if only for televising purposes. "If it were a studio sport or a studio entertainment, I don't think we'd have near the success," says the WWF's Glover. "Our TV is not unlike the televising of a National Football League game. It's coverage of a very exciting live event on videotape. And therefore, we would never say, 'Gee, let's get into the TV business alone; we make a lot of money there and have very high margins.' That's all wonderful, but if we didn't have the live events, we'd be knocking down the foundations of the building." The possibility of overexposure also looms disquietingly over television broadcasts. The three main promoters already turn out 16 hours of syndicated and cable programming per week. "We're expanding our TV as much as we can," says Gagne. "We intend to make other kinds of shows—half hour versions of our shows, and maybe a magazine format."

For all the media hype, it's all basically people knocking each other around, and no matter how outrageous the personalities, surely there is a limit to how much of that people will watch and advertisers will buy. On this issue Crockett is sanguine: "There is going to be some type of shakeout," he says.

The fickle public may yet deliver an atomic knee drop to some of those wrestling programs, but meanwhile, the wrestling promoters have clamped a full nelson on TV, and both the broadcasters and the promoters are grunting and groaning all the way to the bank. ●

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Harvey Shapiro is a Channels contributing editor.

Will a New Bravo be Too Basic?

Cable's cultural pay network limped along for seven years before turning basic. Now it must play to a broader audience. By Cecilia Capuzzi

During the past year, two events occurred at Bravo that symbolize the new direction taken at the little-known and somewhat beleaguered cultural cable network owned by Cablevision Systems.

Marc Lustgarten, executive vice president of Cablevision Systems and the hard-driving president and chief executive officer of the company's programming division, Rainbow Programming Enterprises, packed up his office in the building that houses operations for four of Cablevision's eight networks in Woodbury, Long Island, and moved across the street to corporate headquarters. Left behind to run Bravo and its sister service American Movie Classics was Josh Sapan, the former head of marketing at Showtime and the then newly appointed president of both services. Since Bravo's inception, Lustgarten had held tight reins on the network, even filling in as acting president at times. To Bravo employees, his move from the office several doors from Sapan's was a symbol of his confidence in the new president.

Then in July, Sapan made the decision to cancel what was to be the television premiere of Jean-Luc Goddard's controversial film *Hail Mary* after receiving complaints from a vocal 30 or 40 people around the country. The decision to pull the movie, a modern-day version of the Joseph and Mary Bible story, dredged up almost as much controversy. Some Bravo employees doubted whether the

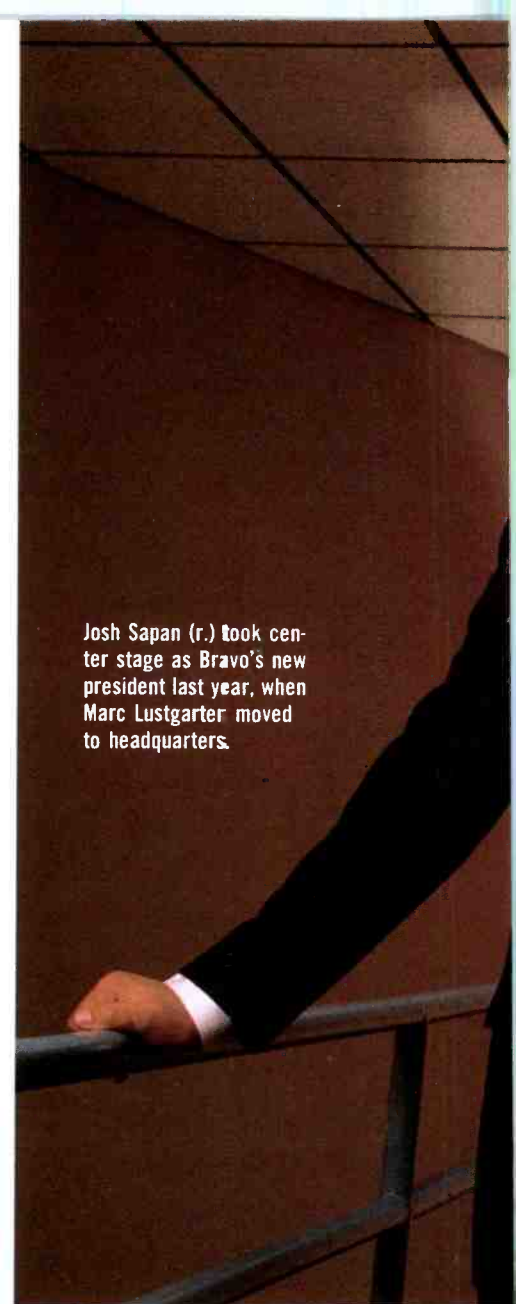
film would have been scrapped a year ago. Other cable observers wondered whether Bravo, which has traditionally been proud of its offbeat, avant-garde and controversial programming, was now going soft in its new concern with maximizing distribution.

A year ago, Bravo probably *wouldn't* have pulled *Hail Mary*; Marc Lustgarten probably *wouldn't* have passed on control of the network—symbolic or otherwise. But a year ago, Bravo was languishing. Stuck at a measly 300,000 subscribers for several years, break-even



Clapton riffs on *The South Bank Show*.

was barely in sight. During its seven years as a pay service, the network had racked up a reported \$10 million in losses. And after cable deregulation went into full effect in 1987, allowing operators to hike basic rates, the sell became tougher. In addition to fighting the notion that its programming was so specialized it was viable only in certain regions of the country, Bravo had to con-



Josh Sapan (r.) took center stage as Bravo's new president last year, when Marc Lustgarten moved to headquarters.

vince operators to carry it on systems with limited channel capacity at a time when operators' attention was shifting to basic cable.

But something amazing happened to Bravo during the past year: It shed its pay status, began selling itself as a basic service and increased its subscribers more than threefold to its current level of 1.4 million. Sapan believes the network could turn a profit in 1989 and predicts that Bravo will eventually become 10 million subscribers strong. "The cable industry just wasn't ready for Bravo," says Jonathan Sehring, vice president of programming, explaining Bravo's recent successes. Given the failures of other cable arts networks, that may be true. But is the industry any more ready for Bravo as a basic service, especially on the scale now envisioned by Bravo executives?

Some operators wonder whether they need another arts-oriented service on the basic tier and whether subscribers discern, or care about, the differences between Bravo and Arts & Entertain-



ment Network (A&E) or the local PBS station, which has traditionally been associated with arts programming. A&E has shed its highbrow image during the past few years, moved more toward the mainstream, added more comedy and beefed up its documentary offerings. (It has shown so many war documentaries of late that some wags have tagged it W&E.) But while operators and officials of both networks agree that the two services may not compete for exactly the same audience, they do compete for channel capacity and, to a degree, for product, especially as Bravo, too, begins to broaden its programming mix.

Composed of art-house and foreign films as well as documentaries and performing arts productions that fill out a 10-hour weeknight and an 11-hour weekend schedule, Bravo began to sell itself at the end of 1986 as a "bonus to basic" service, meaning that operators can buy the service at a basic per-subscriber rate and provide it at no cost to subscribers as part of the basic package. The strate-

gy was inspired by American Movie Classics' successful transition from pay to basic earlier the same year. In 1987, AMC added 8 million subscribers, though it had help from Tele-Communications Inc., which owns half of the service and introduced it on a number of its systems.

Part of Bravo's growth spurt, according to officials, can be attributed to overall changes in the cable industry. As basic rates rise, operators are looking for "extras"—additional program services or freebies like remote control or viewing guides—to rationalize the increases. In many instances during the past year, Bravo has been added to systems for that very reason.

Director of marketing Laurie Giddins describes Bravo as a "niche service with broad appeal." And though the definition seems to contradict itself, the notion of Bravo as a basic service still makes sense to a number of cable operators. Some 70 percent of Bravo's 1.4 million subscribers receive it as basic, and the

boost-to-basic philosophy is now a regular part of Bravo's sales pitch.

But the push to basic has thrown Bravo into an identity crisis of sorts. Though executives contend that they prefer to sell Bravo as a basic, it continues to be sold as a pay service to certain systems, such as Manhattan Cable TV, where it can cost as much as \$12.95 a month (see box). And its split personality has caused problems with some program suppliers, who confess to being confused.

Bravo officials claim to have bought both pay and basic rights for product, but a number of suppliers say that is not the case and are unclear about Bravo's identity. Some were unaware that Bravo was billing itself as a basic service; others say Bravo's status as a basic is under discussion. Depending on how it sells itself, the network's identity will affect the rates it pays for programming and the contracts suppliers have with other network clients who pay for exclusivity as basics or seek reassurances as pay services that their product will not be seen on basic cable. "It's become a source of contention, specifically among the HBOs of the world," concedes Rob Marcus, manager of legal affairs at Cinecom Entertainment Group, which has sold Bravo the rights to such movies as *Swimming to Cambodia* and *Native Son*. "Contractually we don't allow them to run the movies on basic. If they want to step up to the bat and be a major player, they must pay the rate. We will not be able to license to Bravo if it upsets an HBO that's paying six figures for our product."

There are also critics of Bravo's push for basic carriage who believe the service will have to tone down to a dangerous degree if it's to be palatable to a broader audience—outside the metropolitan areas where Bravo is well received. Does that mean diluting the service so much that it loses its appeal to the cult following that has kept it afloat—albeit barely—for the last eight years? According to a former employee, "They paid no attention to the programming changes they'd have to make with the distribution on basic cable."

Despite the charges and uncertainties, Bravo officials are optimistic about the network's repositioning as a basic. The bottom line, say Lustgarten and Sapan, is that cable operators' needs are changing and Bravo is a service that the industry would create if it didn't already exist. "Bravo, when carried as a basic service, could be a meaningful addition to the channel lineup of almost any system," says Sapan. Adds Lustgarten, "All of a sudden, the industry woke up from its slumber of all these years and remembered what this business is: entertainment. Now cable is moving away from a hardware mentality and into a



Maurice Sendak's opera, *Where the Wild Things Are*, kicked off Bravo's new Culture for Kids series.

programming mentality. What do you need to do that? Program services. What more do you need? Services that don't look like broadcast television."

To be sure, Bravo hardly resembles broadcast TV. A few evenings of *Lounge Lizards* concerts, performances of *Missa Sanctae Caeciliae*, films like Roman Polanski's *Cul-de-Sac* and Peter Sellers' comedy short, *The Case of the Mukkinese Battle Horn*—a typical weekend programming lineup—could send even the most earnest viewer scrambling for an episode of *L.A. Law*. If Bravo is to make it on a grander scale, it must, as Sapan says, "open its access" and make changes that will entice pop-culture devotees to sample its programming and perhaps become regular viewers. "People would like art if they were exposed to it," says Sapan. "When Joseph Papp took Shakespeare to Central Park with Linda Ronstadt and Kevin Klein starring, he said, 'I think this is good theater—it's passionate, interesting, lively.' And he opened up access to it to hundreds of thousands of people. That's our philosophy."

Following Papp's example, one of Bravo's techniques has been to use well-known personalities to host its shows. Tony Randall, who played the opera-loving Felix Unger in TV's *The Odd Couple*, is introducing opera programming; Broadway star Tommy Tune hosts Bravo's dance programs; Joanne Woodward introduces theater; and a series of hosts, including E. G. Marshall and Isabella Rossellini, are on hand to present movies.

Last year the network tried to make its schedule more accessible by introducing theme nights. Tuesday night is comedy night, and Wednesday is "great directors" night. And last fall, Bravo opened up to an entirely different

audience—children—with "Culture for Kids," regular Sunday features that have included Jean Cocteau's film *Beauty and the Beast* and Maurice Sendak's opera *Where the Wild Things Are*.

Opening the access, Sapan insists, does not mean "violating the core" of Bravo, or trying to appeal to everyone. "The nice thing about Bravo is that we don't have advertising," he says. Furthermore, he adds, the service has no plans to add it. "We don't get money if we have more viewers. It doesn't do us any good to schedule a show like *All in the Family*, because the very thing that we do—look different, smell different, give people the idea that their cable bill is worth three bucks more a month—is in fact diminished if we put on stuff that is more popular. So forgetting about the goodness of our souls, it's not in our business interests to look like other cable channels."

Still, for the first time in Bravo's history, the censor's knife has become part of the programmer's arsenal. Movies have been pulled because either the consumer or the cable operator objected to them. The *Hail Mary* flap may be an extreme example, but it does underline the challenge Bravo faces as it attempts to balance its unique nature with at least a slight concession to popular tastes. In the *Hail Mary* decision, the network opted for caution. "We felt that the alienation of any substantial minority of viewers wasn't worth it," says Sapan. "The issue became more sensational than substantial."

Sehring, who has been involved with the network's programming for more than six years, says Bravo may have to eliminate at most six films out of 250 it shows within the course of a year as a re-

sult of its move to basic. For example, *Decline of the American Empire*, which contains nudity and strong language, or *Working Girls*, a documentary-style fictional film about prostitutes that also has nude scenes, will probably be taken off the roster. "They are mostly movies that are foreign and unrated, or controversial as far as sexual content. Things you can't expect every home in America to welcome on the basic tier," Sehring says. "We haven't abandoned what we were doing. We've added to the service. If anything, it's gotten better."

Feelings on this issue at United Cable TV of Scottsdale, Ariz., where Bravo has run as a pay service for three years, may prove typical of systems that plan to shift it to the basic tier. The Scottsdale system is similar to others that are buying Bravo's sales logic. "Pay subscribers come and go, but keeping them on basic—that's where our business is," says Nancy Myers, system general manager. "The more value they see on basic, the less likely they are to panic when they see the bill." But the system may also be typical in the concerns its officials raise about Bravo's programming. Though Scottsdale is what Myers calls an "artsy community," largely populated by those in Bravo's perfect target group (older, affluent, educated, "sophisticated"), Myers says she was concerned about some of Bravo's foreign films, "the darker, cult films and some dealing with homosexuality," when she made the decision to move it to basic. She was particularly worried about early evening scheduling of provocative films. But she says Bravo has been "very responsive to our concerns." In spite of her concerns, Myers cautions Bravo not to "fool around with its image. They may run into trouble if they think they can be in all basic channel lineups. If they dilute too much, they may lose those of us who do like it."

Others in the industry may not be keeping the open mind Bravo hopes to encounter in promoting its new sales pitch. For one thing, channel capacity—though Lustgarten insists that systems must start to rebuild for competitive reasons—is still a major problem that won't soon go away. "Rebuilding is a major undertaking for us that will cost tens of millions of dollars," says Robert Townsend, vice president at New York Times Cable. He says he'd carry the service if he had the space. But with many services to choose from, Bravo's "niche product with broad appeal" pitch elicits understanding but little sympathy from Townsend. "Sure. But we're in the broadcasting business. We're trying to get as many eyeballs as we can. All of us are risk-avoidant to a degree. And it's easier to rationalize a broad-based service than a narrowcast service. If you had a choice between Bravo and MTV, I

have no doubt what you'd do."

Ted Livingston, senior vice president for marketing with Continental Cablevision, typifies other operators who say they want to understand more about how subscribers use the services they already receive before adding more. Continental provides Bravo as a pay to about 20,000 subscribers—about 1 percent of its total base. But Livingston is not interested in Bravo as a basic unless it's at a price "that's appealing. It's not worth it at a premium over other basic services," he says.

At an average basic rate of 15 to 20 cents per subscriber, Bravo is selling for more than most basic cable networks (most of which carry advertising and allow operators to sell local spots). But getting a handle on Bravo's finances is a near impossible task. Cablevision Systems groups Bravo and AMC as its "national services" and reports only joint revenues, which totaled \$22 million last

year and are expected to hit \$33 million in '88, according to estimates from Drexel Burnham Lambert, Cablevision's investment banker. Bravo revenues represent about a third of that, according to Sapan. Between pay and basic subscribers, Bravo brings in an average 65 cents per subscriber, says Jeffrey Russell, an analyst with Drexel. With 1.4 million subscribers, that amounts to more than \$900,000 a month, and in 1989 the subscriber base should grow to 17 million. This year the "national services" will contribute \$3 million in profits to the company. (In 1987, they showed a loss of \$4 million.) "Bravo is a hair away from breaking even," says Sapan, adding that "there's not a chance in the world" that the company would fold the service.

Since the company has no plans to introduce advertising, there are those who wonder how Bravo expects to prosper as nearly the only basic service without it. Kagan analyst Larry Gerbrandt uses hy-

pothetical numbers to make the case: "You can grow a lot faster as a basic service, and if, for example, a service attracts only 2 to 3 million subscribers as a pay service at \$2 a month, but can acquire 20 million homes as a basic at 20 cents a subscriber, the service has basically replaced the pay revenue. There comes a time when pay and basic revenue lines cross." Bravo has already experienced a dramatic increase in subscribers since it moved to basic, and with American Movie Classics as its model, it is hard to imagine the service turning down equity investment from a cable operator in exchange for carriage should that opportunity present itself. However, there is no evidence that Rainbow is actively seeking such investment.

There are many reasons why Bravo limped along for seven years before its growth spurt, but perhaps the most curious aspect of its slow-moving past is that it limped along at all. Started in 1980 as

Manhattan Takes Bravo

Getting Bravo into Manhattan, arguably its most important showcase market in the country, was for years more difficult than getting its many Manhattan-resident employees out of the Big Apple and into the bedroom community of Woodbury, Long Island, where Bravo is based. Neither was a small task. The hour-and-a-half commute from Manhattan to Long Island is long and traffic-laden, and is a constant source of griping among employees who must make the trip. But getting a non-Time Inc. pay service onto a Time Inc.-owned system puts even the worst Long Island Expressway traffic jam to shame. Both problems were solved: Manhattan residents commute to work in a company-sponsored car pool, and Bravo made it to Manhattan with the help of pressure from a highly publicized citizens lawsuit against Manhattan Cable TV (MCTV), which demanded that the system make available an unaffiliated movie service to its 225,000 subscribers.

Unlike most Bravo subscribers around the country, those in the Manhattan Cable system pay a premium rate to see the service. If subscribed to as a single pay, it costs \$12.95 a month—the very top end of pay-cable pricing. If a customer subscribes to all four of the pay services offered by MCTV, the charge is \$36.95 per month for the package, plus \$14.95 for basic service. Divided by four, Bravo represents \$9.24 of the total—still a hefty fee.

Such a pricing strategy would never work in most markets across the country, but MCTV has been successful with it. For one thing, there's a hungry, culturally oriented audience in New York and, as system spokesperson Anita Aboulafia points out, many of Bravo's independent producers live in Manhattan. Since Bravo's Manhattan debut in May 1988, 10,000 subscribers have signed on and MCTV officials are expecting the service to contribute \$500,000 in revenue for the year. Victor LoBasso, president of MCTV, says the service has attracted an additional 1,000 basic subscribers to the system.

But MCTV's deal with Bravo is difficult to explain because system and network officials will not disclose specific details. What is known is that MCTV is paying Bravo a rate based

on a percentage of the system's basic subscriber count, according to LoBasso, an arrangement that will last for two years before being renegotiated. For example, the system may have agreed to pay a rate based on guaranteed penetration of Bravo among 10 percent of basic subscribers, explains Bravo president Josh Sapan. Subscriptions that exceed 10 percent of the number of basic subscribers would represent pure profit to the system.

Considering the immediate success of Bravo in Manhattan, what took MCTV so long to add the service? Robert Perry, associate professor at the Media Law Clinic at New York Law School, and the attorney who handled the citizens suit against MCTV, Home Box Office and Time Inc., says it was a classic case of monopolization of trade. The suit alleged that the three defendants conspired to keep movie-oriented pay cable networks not owned by Time Inc. off of the Time Inc.-owned cable system. That was not only an alleged anti-trust violation, according to Perry, but a violation of the system's franchise agreement, which stated that priority of access would be given to unaffiliated services and that the system had to provide channels for pay services on a first-come-first-served basis. He alleged that MCTV denied Showtime a channel back in 1980 when it said it had none available. But shortly thereafter, the system added Cinemax, another Time Inc. pay service. The suit was filed in January 1986.

But MCTV officials say the channel-capacity problem was real and kept them from adding Bravo or any other unaffiliated pay service sooner. "If you'd put a gun to our heads, we couldn't have added it," says LoBasso. According to Aboulafia, the system's old converter boxes had just three channels equipped with the microchip necessary to unscramble premium networks (HBO, Cinemax and SportsChannel already occupied those spots). It would have been too costly and complicated to recall the boxes and equip them to carry additional pays. Instead, the system was shopping for an addressable converter that would make addition of premium channels easy, and in November '87, with impending plans to add the new box, the suit was settled and MCTV decided to add its first unaffiliated pay service: Bravo. C.C.

a network that produced and programmed original performing arts, Bravo came on the cable scene at a time when services were being launched more quickly than the industry could handle them. Back then many in the industry believed that cable would be a perfect conduit for the cultural programming that broadcast television seemed to have abandoned arbitrarily. Besides Bravo, there were three other services that catered to the arts: CBS Cable, The Entertainment Channel (a joint venture between RCA and Rockefeller Center) and ARTS (an ABC-Hearst joint venture). The cable industry talked a good game about "narrowcast" programming, but all four cultural services discovered it was an expensive business with limited appeal. Neither operators nor advertisers would pay enough to support them.

But Bravo, owned originally by a joint venture of three cable-system operators—Cablevision Systems, Cox Cable Communications and Daniels and Associates—had an edge over the others. Cablevision CEO Charles Dolan thought like a cable operator when it came to program services, and he understood how they could benefit his systems. While CBS Cable came in with a fury and out with a thud, losing what is now believed to be more than \$65 million, and The Entertainment Channel and ARTS merged into A&E, Bravo (which for its first 18 months had been a two-nights-a-week service, sharing a transponder with an adult network called Escapade) practiced cost containment. Although it began to produce some of its own programs, the network quickly abandoned the expensive original productions, bought inexpensive art-house films and limited its broadcast day to 10 hours when the economics of the business became clear. "We withstood the tough times because we expected them and ran our business in an efficient manner," says Lustgarten. "Rainbow's not known for throwing around tons of money."

From a cut-and-dried business perspective, however, Bravo should have folded. The simplest explanation for Bravo's survival is that Charles Dolan likes it; he even named his sailboat after it. (Around Bravo's offices during the early years, the network was referred to as "Dolan's conscience"—suggesting that he kept the highbrow service going to atone for Escapade and Rainbow's later marketing of The Playboy Channel.)

But more than that, Bravo fits into Dolan's philosophy that the future of the cable business lies in programming. It is sold as a high-priced pay service in all of Cablevision's 33 systems, claiming 220,000 pay subscribers. Along with the other services in the "Rainbow Package," Bravo contributes significantly to

the systems' bottom lines. "It's not surprising that Cablevision has the highest revenue per subscriber and the highest pay revenues in the business," says Lustgarten. (Cablevision drew an average \$35.52 per subscriber in 1987, according to Paul Kagan Associates' most recent estimate.)

Like Sehring, Lustgarten blames the industry in part for Bravo's slow



Kathleen Dore, Bravo general manager (l.). Bravo was probably damned if it did and damned if it didn't... run Hail Mary.



growth, but former employees charge that the network was given little more than passing attention and less direction from its corporate chiefs throughout most of its history. It wasn't until almost two years ago that Bravo had a separate sales and marketing team, and not until the past year that Rainbow officials believed the network could be anything but a highly specialized service with regional appeal only. "Bravo was never a service Rainbow offered to operators," explains Sehring. "It was usually a question of what service was easier to sell. You go to

a system and say, 'I have some very recognizable name-brand services and, oh yeah, one narrowcast, cultural service.' There was even a time when we didn't say the word 'cultural.'"

Personnel turnover—a continuing problem—hasn't helped the service to grow, either. In eight years, Bravo has had four presidents, a variety of consultants (along with Lustgarten) who have filled in as acting presidents at various times and three general managers. Last October, Kathleen Dore became the service's third general manager.

"There were different attempts with the people implementing Bravo to get at Bravo's marketing problems and at times they were not as productive as they could have been," says Lustgarten, explaining the turnover. "They became pragmatic. The industry told us we had to be on pay and à la carte because we were too specialized. If someone tells you 'you're this and you're that' long enough, after a while you begin to believe it. So we tried it. And I think it was a mistake and sent a confused message. I think we have come to realize through our recent successes that we were more limited in our hope for Bravo than we should have been."

The industry might have lacked understanding back then, but Bravo is in a similar position today. Despite the changes brought on by deregulation, it still must mount a campaign to convince operators that its time really has come. Sapan says the evolution of the television audience will help Bravo's case: "I think [1987's] stock-market crash signaled the end, in one dramatic way, of the Reagan era and yuppies—of the lust for wealth and partying and materialism. To some degree, that's got to be replaced by a number of things. One of them is family, but another is the humanities and arts. And I think Bravo will benefit from it." But with President Bush carrying on Reagan's tradition, shepherding Bravo into the mainstream may take a little longer than officials expect. Then again, after eight years, no one can accuse them of being impatient. ●

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Cecilia Capuzzi is a Channels contributing editor.

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BETTING ON REPUBLIC'S BONANZA



John Wayne in *Flying Tigers*.

Like the original Republic Pictures Corp. of the 1930s, the re-born Republic is an opportunistic endeavor that thrives on a knack for catering to popular tastes. Since coming to life again in July 1986 under the leadership of Russell Goldsmith, the studio, by the end of 1988, has more than doubled revenues in just two years, no small feat in a troubled marketplace in which other small production and syndication ventures have been sinking.

The Republic story goes back to the mid-30s, when Herbert J. Yates, president of Consolidated Film Laboratories, then one of the two biggest film processors in the country, merged several small producers that couldn't pay their lab bills into Republic. Over the next 15 years, Republic was one of the most prolific B-movie producers, most notably with Westerns and serials starring cowboys and singing cowboys such as John Wayne, Gene Autry and Roy Rogers.

Today, in hindsight, the kind of programming Republic created is recognizable as the television of its day. Yet when TV actually arrived in the early 1950s, Republic couldn't make the transition and was forced into a kind of hibernation. In the mid-1980s, Russell Goldsmith, a seasoned executive at 36, led an investment group that took over the remains of Republic Pictures, which had been limping along as a syndication also-ran. Goldsmith pumped up existing operations and quickly returned Republic to original production for the first time in 30 years. Just as Yates prospered by taking advantage of chang-

ing market conditions that were driving others out, Goldsmith has steered the new Republic on a course counter to the syndication slump and stock-market depression plaguing comparable television competitors:

Since L.A. lawyer Russell Goldsmith woke up moribund Republic, the company's performance has startled Hollywood and TV investors.

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by Alex Ben Block

- Against all odds, his first thrust into network-TV series programming, Witt/Thomas' *Beauty And The Beast*, became a hit last season, one of the few on CBS.
- At a time when the majors have left TV movies, Republic is making modest profits by producing and distributing selected TV films such as the authorized *Liberace* for ABC and *Indiscreet* for CBS (though it was a ratings disappointment), drawing on remake rights already owned by Republic. Republic's *Jesse*, starring Lee Remick, a story about a heroic nurse, was one of the highest rated CBS TV movies last year.
- While other home-video distributors say old black-and-white films and B-movie titles aren't selling, Republic, with innovative distribution methods, is doing better than ever by cherry-picking top releases from its library of 1,400 films, 500 cartoons and 900 shorts. The films are available through its Blackhawk subsidiary or from Republic and are sold at a low cost through mass merchandisers and rack jobbers.

- While the publicly traded shares of most other small TV producers and syndicators have been battered, Republic stock has risen from a low of \$3.75 a share after the 1987 stock-market crash to just over \$8 recently. "It has substantially outperformed the market for entertainment stocks," says Joel Reader, managing director of Oppenheimer & Co. in Los An-



In the face of a difficult market, Goldsmith has created a lean, opportunistic enterprise. The philosophy: 'We've tried to find the right mystical blend between being conservative and protecting ourselves, while being aggressive and reaching for opportunity.'

ges. Jeffrey Logsdon, an analyst at L.A.'s Crowell Weedon, says Republic could really be worth up to \$20 a share. "I like Republic as an asset play," he says, noting that it is considered to have the largest film library outside of the major studios. "With little debt and their substantial library as an asset base," says Reader, "they are well positioned to survive in a difficult market, which means they will be well positioned going forward for expansion and acquisitions."

- In a glutted market, Goldsmith (in a joint venture) got a syndication go for the first-run show *On Trial*, although it has turned in a mediocre performance so far.

Logsdon praises Goldsmith for reinvesting profits, staying out of theatrical films and not borrowing a lot of money. Republic earned 23 cents a share last year; Logsdon expects it to report 35 cents a share for 1988 and 45 cents in 1989. Republic, which in '87 had revenues of \$28.1 million and net income of \$972,000, is certainly off to a solid start, recently reporting nine-month sales up 94 percent over 1987 and net income up 45

percent over the same period.

Republic is finally alive again, but it was a long time coming. In 1958, Yates, with production at a standstill, sold Republic to Victor Carter, who exploited the library for television while selling off

most assets. The fabled production center in Studio City, California, where Dick Tracy had chased bad guys, the Tumbling Tumbleweeds had sung and the Ghost of Zorro had lived, was sold to CBS and eventually to MTM Productions, which currently produces such shows as *Newhart* there. In 1967, Republic was merged with National Telefilm Associates (NTA), which had been started in 1960 as a vehicle to own shows produced by and for NBC. While CBS and ABC created in-house units to own their productions (Viacom and Worldvision respectively), NBC used a separate company. Thus in 1971, when a federal decree forced the networks to divest their syndication arms, NTA was already separate. NBC sold its interest to Telecommunications Inc., then a pioneering cable system operator.

In 1976, when Aubrey W. (Bud) Groskopf took over as presi-



In the film vault, Goldsmith's braintrust: Joe Levinsohn, senior v.p./international sales, Laurie Levit, executive v.p./Republic Pictures Productions and Charles Larsen, president, Republic Domestic TV.

dent, the stock was selling for a nickel a share and the company was near bankruptcy. A turnaround began in the late 1970s when home-video market growth generated new revenue from the film library. In 1984, TCI, becoming the nation's largest cable operator, decided to spin off its 88 percent interest in NTA to its stockholders, leaving TCI chairman Bob Magness the largest Republic stockholder. At that point, the company regained its original name. Republic, with its stock peaking near \$15 a share, wanted to return to original production, and Groskopf asked the board to inject or borrow \$100 million. Board members, led by Magness and Utah station owner George C. Hatch, kept stalling. Instead, while Groskopf was abroad in July 1986, a deal was cut with Goldsmith's Paragon Group to buy about a third of the company for approximately \$14 a share—and to take over management. Groskopf returned to find himself out of a job.

It was the latest success for Russell Goldsmith, a product of Beverly Hills and the child of a wealthy Los Angeles real estate developer, Bram Goldsmith. Bram Goldsmith became chairman of City National Bank (assets, \$4 billion), the 125th largest bank in the U.S. (now Republic's bank) more than a decade ago. "Russell was always very aggressive, very involved in school affairs and a leader in whatever he did," says Bram Goldsmith, who is now also a member of Republic's board (Russell is a member of the City National Bank board).

After graduating from Harvard College and Harvard Law, Goldsmith practiced law, helping found Sanders, Barnet, Goldsmith & Jacobson, which specialized in TV and movie legal work. In 1983, he became chief operating officer of Lorimar, coming in just as *Dallas* was being sold into syndication. His mandate was to use the proceeds to expand and diversify the company, beginning with the acquisition of the Kenyon & Eckhardt ad agency in New York.

Instead, Goldsmith was soon caught in the tension between Lorimar chairman Merv Adelson and president Lee Rich that eventually led to the merger with Telepictures and to Rich's resignation. Before either of those things happened, Goldsmith had had enough. In September 1985, he left Lorimar, determined to run a smaller company where he would have greater control.

Goldsmith formed The Paragon Group, a limited partnership, as his acquisition vehicle. When he merged it into Republic in August 1986, he was injecting almost \$9 million into the company in return for about 34 percent of voting power. "The money went into the company, not to outside shareholders," says Goldsmith. Says Bram Goldsmith: "They're bottom-line oriented. They haven't approached it as the typical entertainment company doing everything in a grand manner." Russell Goldsmith shed some unrelated businesses and brought in new management to revive syndication and home-video distribution. He acquired movie packages for the Republic library and cranked up distribution for the first time in three decades. Republic's first new production, the Lansing-Jaffe produced TV movie *When The Time Comes*, aired in February 1987. Since then the company has produced half a dozen more TV movies, which are now being sold in syndication as well.

In July 1987, Charles W. Larsen was brought in as head of domestic TV syndication sales. Larsen had been a TV newsman, producer and station manager and was heading up sales for syndicator D.L. Taffner when he was attracted to Goldsmith's offer to expand Republic into first-run syndication, barter and cable. "The first job was to maximize the existing library," says Larsen. Until then Republic had basically allowed buyers to cherry-pick titles. Larsen instead chose the 100 best titles and put them into theme packages. Since various rights had been sold over the years on each title, he couldn't have the same titles for every market. So Republic computerized all of the prior agreements, launching a system that allows Larsen to create custom packages such as the John Wayne Collection.

He also began to sell aggressively to basic cable. "We wanted to maximize our library but we realized some product, particularly old black-and-white TV series, wouldn't sell in syndication," says Larsen. "We decided to go after cable instead, and we've been able to get quite a few sales." Lifetime bought movies, while the game show *Press Your Luck* went to USA Network. *Victory At Sea* was licensed by Arts & Entertainment and *Car 54, Where Are You?* became a hit on Nickelodeon.

The New Republic

REVENUES (millions)	1988*	1987	1986	1985
TV Distribution	\$27.7	\$17.8	\$10.0	\$ 9.9
Video	11.1	10.3	9.0	5.2
Total	39.8	28.1	19.0	15.1
Operating Income	1.4	1.4	1.4	2.1
Net Income	0.8	1.0	0.6	1.0

*Nine months ending 9 / 30 / 88.

Larsen also took a look at Republic's most important off-network staple, *Bonanza*. He saw that it had run on NBC for 14 years, with more than 430 episodes made, but only 260 episodes were in syndication. He discovered that the company hadn't wanted to pay residuals on all of them, so that many episodes hadn't been seen in 25 years. "It was an American treasure no one knew about," says Larsen. *Bonanza*, designed to be a color-TV showcase, was shot on 35mm film with movie-quality production techniques. Republic went back to NBC and found the original *Bonanza* negatives.

New prints were made after careful color correction, and an upgraded, digital soundtrack was added when it was transferred onto tape. The difference in quality was startling. "It was part of the selling pitch," says Larsen, adding that it was also company policy: "If there's anything pervasive in our philosophy, it is that we try to do things right. Somewhere I think that pays dividends even though it costs a little more initially." The first 120 "lost" episodes of *Bonanza* are now airing each evening on the CBN Family Channel, and will probably go into broadcast syndication. Meanwhile, Republic continues to

relicense the 260 previously seen episodes.

In searching for a network show, Republic got lucky. *Beauty And The Beast*, a fantasy about a beautiful woman and a disfigured man who lives underneath modern-day New York City, had been inspired by an off-hand remark by Kim LeMasters, CBS head of programming, who told producers Tony Thomas and Paul Junger Witt (*Golden Girls*) that he'd love to do a contemporary *Beauty and the Beast*. Thomas and Witt hired Ron Koslow (*First Born*), who created and wrote the show. Republic was brought in just before the pilot was produced by Witt/Thomas's agent, Bill Haber of Creative Artists Agency, to pick up the deficit. In return, it got syndication, home-video and foreign TV rights. The show went on to become a surprise hit on CBS and an even bigger hit internationally. Foreign sales almost cover Republic's deficit. "Everybody took a gamble on this show," says Thomas, "not the least was Russell. CBS gambled on making it, we took the chance of making it without looking like fools and Russell took a chance by financing it."

At last count, *Beauty* was being seen in 82 countries, according to Joe Levinsohn, Republic's head of international sales, which makes it among the most popular American-made series in the world. It's currently seen in almost every country in Europe and South America, as well as in Japan and the People's Republic Of China. Republic has also recently released into the home-video market *Beauty And The Beast* two-episode cassettes, priced at \$19.95. Along with releases by the distributors of *Miami Vice*, *L.A. Law* and *Moonlighting*, such tapes represent a new effort to quickly market current network series into home video. Republic's first cassette went gold, shipping around 80,000 units. Goldsmith sees it as a way to make extra money, and boost the series. "We now have posters in 25,000 outlets," he notes.

Goldsmith's next priority was to get a first-run show on in the difficult syndication market. The company looked at dozens of ideas but none seemed right until producer Woody Fraser (*Incredible Sunday*, *The Home Show*), associated with Reeves Entertainment, approached Republic with an idea for a reality-based series that would present courtroom video from actual criminal and civil trials, edited into taut half-hour stories, with narration and some added back story.

Fraser had been trying to sell the idea for *On Trial* for four years, he recalls, "but most [Hollywood executives] were ignorant as to the changes in [video] access to courtrooms. Russell, as a lawyer, understood." The deal was immediately wrapped up. Republic and Reeves split the cost, with Fraser joining in a three-way split of revenues. "Russell has good ideas," says Fraser, "and he knows how to suggest without insisting. He takes the time to sell you on his idea."

On Trial premiered in September 1988 and is now seen in about 75 percent of the U.S., and Larsen, perhaps overstating the case, calls it "the most successful new syndicated show of those that went on last fall," recently reporting a national 2.0 rating in an NTI report. Richard Reisberg, president of Reeves Entertainment, says it hasn't gone through the roof, and it is now "right at the point of breaking through." It has a 50-50 chance of being renewed for a second season, but no decision has yet been made.

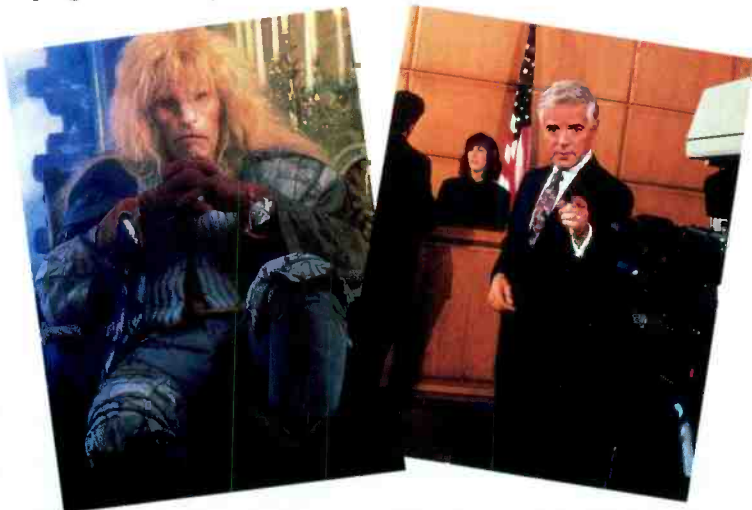
Under Goldsmith and Levinsohn, former head of international sales for the ABC network, Republic has also pushed for a share of the booming foreign TV market. Shortly after Goldsmith arrived, in the first quarter of 1987, foreign sales revenues exceeded the entire prior year.

Even before Goldsmith's arrival, the one steady revenue producer for Republic was home video. Vallery Kountze, senior v.p., sales and marketing for home video, says Republic has become much more aggressive under Goldsmith, both in the kind of titles it distributes and in the outlets it uses. Republic uses the normal distributors, but it has excelled in the sell-through market. Carefully selecting its strongest movie titles, with recognizable stars such as John Wayne, Republic created new packaging and put them out for \$19.95 each as a collector's se-

ries. It then distributed the videos through discount stores, supermarkets, book stores and via rack jobbers, in thousands of smaller outlets.

Republic has also moved carefully into colorization of black-and-white movies. The films, including *Sands Of Iwo Jima*, go out via syndication first and then onto home video. "The quality of old movies in Republic's library enables us to continue strong growth against the odds," says Kountze. Kountze, 33, who came to Republic from RCA/Columbia Home Video, says the proof is in the results. In 1986, Republic sold about 425,000 pre-recorded cassettes and reported video revenue of \$7.7 million. During the first three quarters of 1988, it shipped 803,000 units and had revenue of about \$11.6 million.

Increasingly, Goldsmith is focusing on new production that will bring in immediate revenues and then feed home video and syndication distribution. Goldsmith hired 36-year-old Laurie Levit from Columbia Pictures Television last July as head of program development. Levit has produced series and TV



Republic took risks with *Beauty and the Beast* and *On Trial*. In the case of *Beauty*, international sales have created a winner, but with *On Trial*, the quirky syndication market is, to date, withholding judgment.

.....
movies, including *Tiger Town* for The Disney Channel and *The Taking of Flight 847* for Columbia. She says Republic is most different from Columbia in that it is smaller and because its open management style permits her to do things like attend sales and marketing meetings. "Because I know how things will do and what is coming down the pipeline here," says Levit, "I end up having a lot more flexibility in knowing whether I can finance and deficit a show."

Levit, echoing others at Republic, says Goldsmith prefers to wait for the right, quality project instead of going for a quantity of programs in the hope that something works. To feed production, Republic has also made housekeeping agreements with five TV producers, whose projects will go through Republic. "We're looking to take our best shots and really only do things we believe in," says Levit.

Republic is now positioned as a successful niche player in syndication, TV production and home video, with the potential to expand rapidly. Goldsmith hasn't tried to take on the industry giants, but he has avoided many of the problems that have sunk other small companies—especially excessive overhead. He has been able to target Republic toward an unusually high percentage of winning projects, while keeping losses low on ideas that never make it out of development. "We've tried to find the right mystical blend between being conservative and protecting ourselves on the downside," says Goldsmith, "while still being aggressive and reaching out for opportunity." ●

.....
Contributing editor Alex Ben Block, editor in chief of Show Biz News, last profiled Qintex and Australian Christopher Skase.

Second Annual

YEAR IN REVIEW

"If you can't say anything good about someone, sit right here by me."—Alice Longworth Roosevelt by Joe Queenan



JANUARY

• CBS's Dan Rather and George Bush trade insults in ten-minute *Tension City*. Uncharacteristically affable Bob Dole looking very good.



- Dreaded orthodontic lobby suffers setback when judge tosses out \$10 million lawsuit against *Tonight Show* host Johnny Carson for telling dentist jokes. Proctologist lobby mulls next move.
- Suspected extraterrestrial Merlin Olsen continues bizarre career as Amish farmer transplanted to L.A. as Lorimar Telepictures readies *Aaron's Way* for March NBC debut.
- Man on the street starts talking about Mort Downey Jr.



FEBRUARY

- Capital Cities/ABC takes \$50 million hit on Winter Olympics. Network misses five goals in two vital hockey games. Full-sized skater Debi Thomas goes for gold, gets bronze, retires. Jim McKay does nothing to detract from his legend.
- Networks reject Isuzu ad



depicting Nicaraguan president Daniel Ortega wheeling and dealing via subtitles. Network spokesman decries ad as cheap publicity stunt. Central American consumer advocates doubt that Sandinistas drive economy cars anyway.

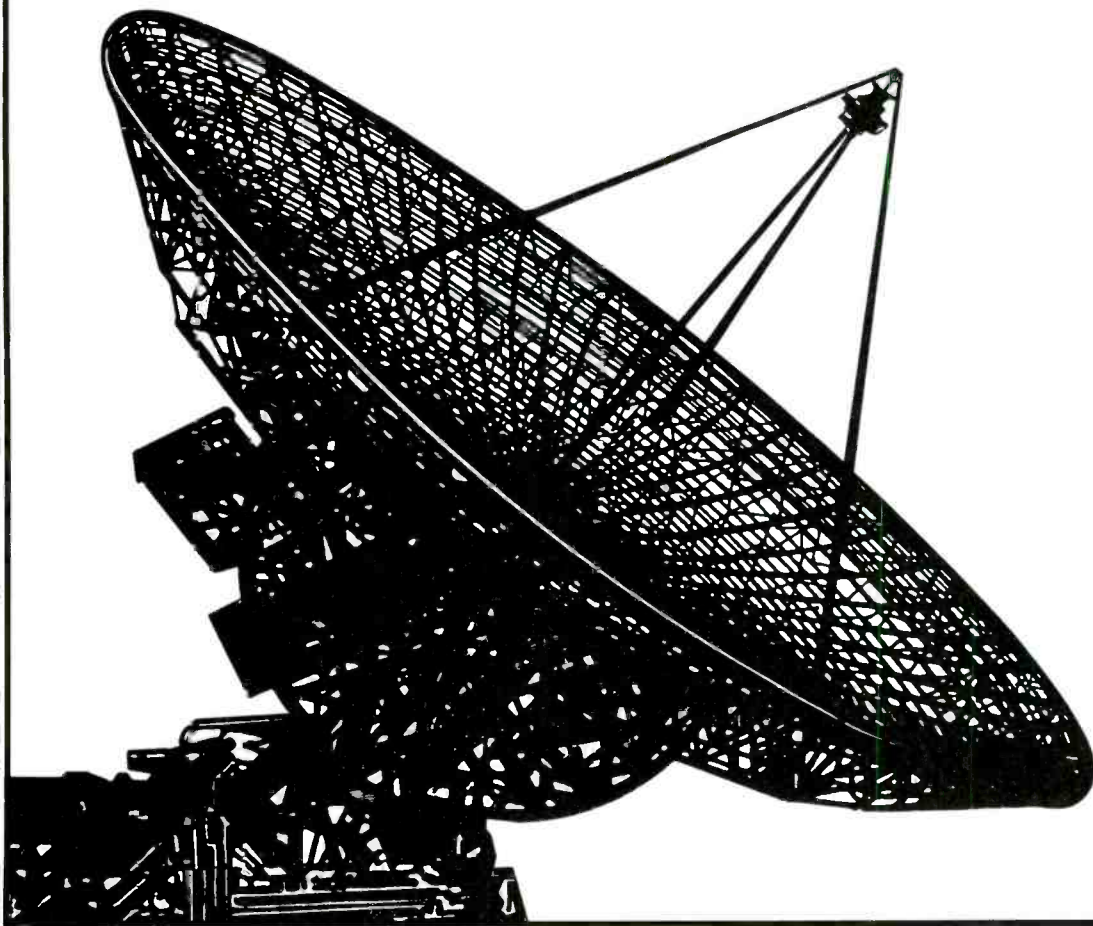
- Hulk Hogan bested by Andre the Giant in the first prime time network TV wrestling match since 1955, on NBC.
- Hanna-Barbera Productions acquires exclusive animation rights to "persona"—ego, superego, libido, hair—of Whoopi Goldberg, and immediately announces kiddie special on Goldberg's pet disease, dyslexia. MTV—MVT for those with dyslexia—casts wary eye at its viewer ratings.
- Gutter press starts talking about Mort Downey Jr.



PHOTOGRAPH OF DAN RATHER BY GAMMA LIAISON; WHOOP! GO! DIERG BY PAUL PELLETTIER/GAMMA LIAISON; MORTON DOWNEY JR. BY C. HALEBRIAN/GAMMA LIAISON; DEBI THOMAS BY AP/WIDE WORLD PHOTOS.



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MORGAN STANLEY

BROADCASTING

Metropolitan Broadcasting Corporation

acquired by
Sillerman Acquisition Corp.
\$310,500,000

Tak Communications, Inc.

\$238,000,000
\$175,000,000 Senior Secured Financing
\$53,000,000 Senior Subordinated Notes due 1998 and related common stock purchase warrants
\$10,000,000 Junior Subordinated Notes due 1998 and related common stock purchase warrants

Emmis Broadcasting Corporation

acquired five radio stations from
National Broadcasting Company, Inc.
\$121,500,000

Tak Communications, Inc.

acquired
Television Station WGRZ-TV
\$100,000,000

Radio Station WYNY-FM (subsidiary of *Emmis Broadcasting Corporation*)

acquired by
Westwood One, Inc.
\$39,000,000

Television Station WPGH-TV

(subsidiary of
Lorimar Telepictures Corp.)
pending acquisition by
Renaissance Communications Corp.
\$32,000,000

Radio Station WOMC-FM (subsidiary of *Metropolitan Broadcasting Corporation*)

acquired by
Infinity Broadcasting Corporation
\$23,000,000

Radio Station WFAN-AM (subsidiary of *Emmis Broadcasting Corporation*)

acquired by
Spanish Broadcasting System, Inc.
\$23,000,000

Radio Station WWBA-FM (subsidiary of *Metropolitan Broadcasting Corporation*)

acquired by
Cox Enterprises, Inc.
\$17,100,000

DKM Broadcasting Corporation

acquired by
Summit Communications, Inc.
Price not disclosed

CABLE

SCI Holdings, Inc. (controlled by *Kohlberg Kravis Roberts & Co.*)

acquired by
Comcast Corporation
and
Tele-Communications, Inc.
\$1,550,000,000

Rogers U.S. Holdings Limited

pending acquisition by
KBL Cable, Inc.
\$1,265,000,000

Continental Cablevision, Inc.

acquired
American Cablesystems Corp.
\$750,300,000

Star Midwest Inc. acquired

North American Communications Corp.
and
Four Cable Television Systems
\$239,000,000

\$235,000,000

Star Midwest Inc. a Subsidiary of *Star Cablevision Group* *Fond du Lac, Wisconsin*

\$135,000,000 Senior Secured Financing
\$10,000,000 Revolving Credit Loan
\$80,000,000 Series B Note
\$10,000,000 Series C Note

\$125,000,000

Comcast Corporation

Zero Coupon Convertible
Subordinated Notes

\$100,000,000

Comcast Corporation

2¾% Convertible Subordinated
Debentures (European issue)

\$60,000,000

Palmer Communications Incorporated

Senior Notes due 1997

Wometco Cable TV, Inc.

acquired

Two Cable Television Systems
\$50,300,000

\$100,000,000

McCaw Cellular Communications, Inc.

8% Convertible Senior
Subordinated Debentures due 2008

**The Argus Press Division
of BET PLC**

acquired by
Investor Group led by
Management
\$350,000,000

**Enstar Communications
Corporation**

acquired by

Falcon Cablevision
\$31,500,000

INFORMATION SERVICES

Bell & Howell Company

acquired by

BHW Acquisition Corp.
\$678,400,000

\$175,000,000

**News America Publishing
Incorporated**

Senior Notes due 1989-1995

Wometco Cable TV, Inc.

pending acquisition by

Cablevision Industries Corporation
Price not disclosed

HLS Corp

acquired by

WPP Group plc
Price not disclosed

2,400,000 Shares

McClatchy Newspapers, Inc.

Class A Common Stock

Continental Cablevision, Inc.

exchange of certain of its
cellular telephone assets for
certain cable television assets of

Providence Journal Company
Price not disclosed

PUBLISHING

McGraw-Hill, Inc.

acquired

The School and College Book
Publishing Divisions
of
Random House, Inc.
\$200,000,000

CELLULAR

\$227,300,000

**McCaw Cellular Communications,
Inc.**

Various equity investments
in public cellular
communications companies

Hachette S.A.

acquired

Grolier Incorporated
\$462,200,000

Morgan Stanley's Communications Group provides clients in the communications industry with a special resource—a team of more than a dozen seasoned investment bankers who work full time with media companies.

This year, the Communications Group was involved in merger and acquisition transactions worth more than \$7.8 billion. In addition, they helped their clients raise more than \$1.3 billion in capital.

From mergers and acquisitions to financings and corporate restructurings, Morgan Stanley's Communications Group delivers the combination of investment banking expertise and communications industry know-how its clients need.

\$250,000,000

**McCaw Cellular Communications,
Inc.**

Convertible
Senior Subordinated Discount
Debentures due 2008

MORGAN STANLEY



Dole felt bush-whacked by George.

MARCH

- TV writers go out on strike, indefinitely delaying ABC sitcom, *Mr. Belvedere*. Nationwide rioting begins.
- Residents of Midland, Texas, begin heartwarming pitched battle over TV rights to the Jessica McClure story. Issue: Who saved the kid in the well. At odds: The McClure Rescue Association, made up of 12 public employees, and 37 volunteers in the Jessica McClure Rescuers' Association. "The other group doesn't have any rights to sell," says Kragg Robinson, McRA chief. "They're public employees, so what they did is public." Scuttlebutt tabs

Valerie Bertinelli to play 18-month-old Jessica in the film about the dispute about the film.

- "Stop lying about my record," candidate Dole tells candidate Bush during anchorman Tom Brokaw interview, following New Hampshire primary. Public, really starting to get fed up with this kind of negative campaigning, boots Bob.
- *MacNeil/Lehrer NewsHour* continues to cut into MTV ratings; contemplates shift to 24-hour format. "People can't get enough of those Roger Mudd essays," says PBS source.

APRIL



Merlin Olsen, phone home.

- FCC says it's okay to use the word "clocksucker" in South Carolina political ads, as long as no "patently offensive depiction of sexual or excretory activities or organs" are involved. (Ruling followed complaint by North Charleston mayor John E.

Borne that political opponent broadcast ad using the C word to oppose his efforts to purchase a clock for city hall.)

- PBS begins airing *Make Yourself at Home* series. Programs include "Windowsill Gardening," "Kitchen Storage," "Pruning" and "Peas." MTV closely monitoring ratings.
- James Garner, spokesman for the Beef Industry Council, undergoes quadruple bypass surgery. Beef industry blames cigarettes, not chucksteaks. Merlin Olsen considered as spokesperson for new beef campaign, "Real Food for Real Amish."
- Television critics start talking about



MAY

- Los Angeles disc jockey Phil Hendrie awards envelope full of genuine Geraldo Rivera lint, supplied by Rivera, to Todd Inlow of San Pedro, after KLSX listener wins contest with best suggestion for a Geraldo topic: "Should fat people be allowed to work in bakeries?"
- Fawn Hall interviews Masai warrior in ABC special, *M&W: Men and Women*. Topics include hunting, planting, poaching, shredding. Hall accused of smuggling priceless ivory out of Kenya in her pantyhose.
- All of North America talking about Mort Downey Jr.

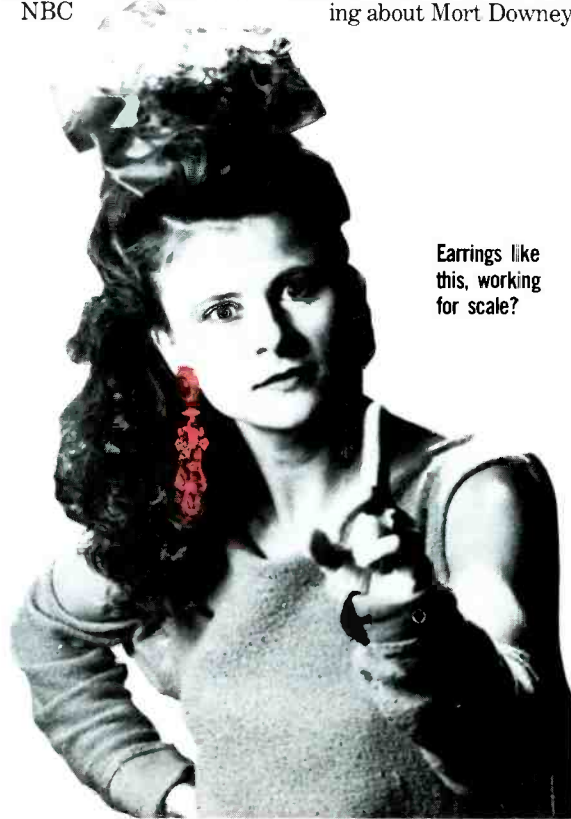
JUNE

- Upstart Fox Network, seeking to become a fourth major network, announces that it has lost \$94 million in the past fiscal year. Tracy Ullman's handbag checked.
- With writers' strike deadlocked, NBC

announces writerproof schedule, including "reality programming" featuring segments about real-life, funny Canadians.

Nationwide rioting erupts.

- Entire Western World talking about Mort Downey.



Earrings like this, working for scale?

PHOTOGRAPHS TOP: LEFT AND RIGHT BY AP/WIDE WORLD PHOTOS

JULY



- Greg Burson introduced as new voice of Yogi Bear, narrowly beating out sports-caster Dick Enberg.
- Larry Grossman ousted as president of NBC News.
- *Summer Sunday*, a lite *Regis Philbin Show*, linked to demise.
- *New York Times* talking about Mort Downey Jr.

AUGUST

- Writers' strike ends after 22 weeks. "We heard about the show featuring hilarious rural Canadians and decided to call it quits," says one writer. "If we'd even suspected that the networks would sink this low, we never would have gone out in the first place."
- RFD-TV, a cable network

farm safety. MTV monitors ratings carefully.

- Whitney Houston makes daring bid for release of jailed African nationalist Nelson Mandela by appearing in live Fox Network concert from Wembley Stadium, London. Despite such hits as *How Will I Know?* and *Saving All My Love for You*, South African authorities are unmoved, demanding hostage exchange involving U2's Bono, The Edge.



Will U2 play South Africa?

- Funk rules Republican National Convention as band brings down the house with full-tilt boogie version of *La Bamba*. Bush, pilloried for selecting alleged airhead Dan Quayle as running mate, staggers to nine-point lead over Dukakis. *Business Week* cover demands "Can Bush Come Back?"

SEPTEMBER

- Bryant Gumbel begins his lonely vigil in Seoul, Korea.
- Dukakis wins Debate I as Bush is blinded by the light of a thousand points.
- Ted Turner readies TNT for Oct. 3 launch—a new basic cable network that is even more exciting, even more innovative and has even more pizzazz than TBS.
- Brandon Tartikoff, NBC En-



ertainment president, warns viewers that his network may ditch Saturday morning cartoons, including the Gummi Bears, the Smurfs, Alvin and the Chipmunks and The New Archies, replacing them with a "Barbara Walters-type Sat-



urday Morning Brunch." Public apologizes for poor cartoon ratings, pleads for a second chance, promises it won't happen again. Plan nixed when Walters' buddy, Fidel Castro, says he never gives interviews during brunch.



Gumbel finds it lonely at the top.

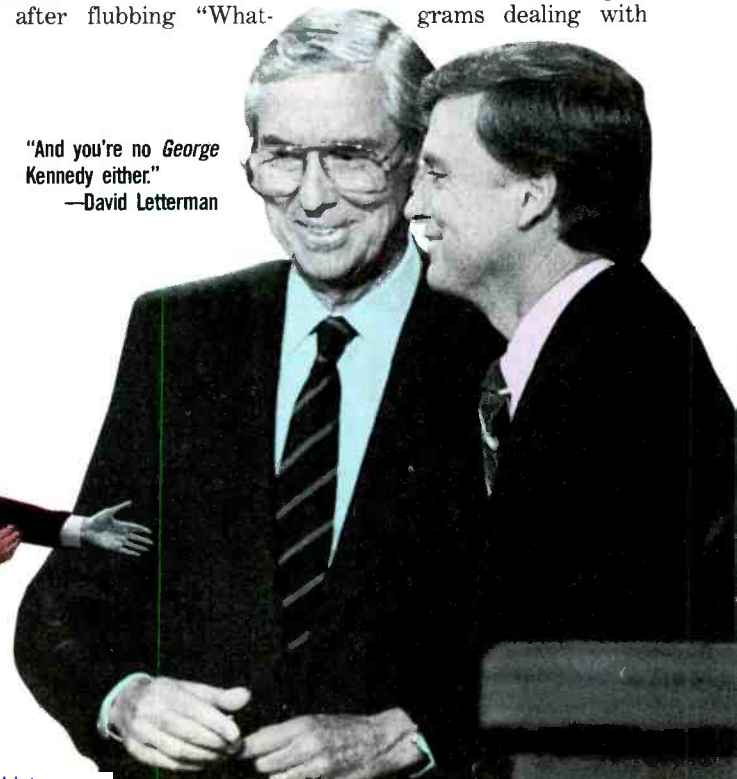
OCTOBER

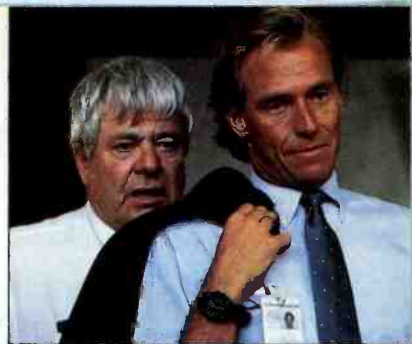
- NBC takes \$80 million hit on dull, ad-saturated, drug-marred Olympics. Swimmers excel, but U.S. hoop squad is whipped by Reds, settling for lowly bronze. Thanks to International Olympic Committee ban, public is spared sight of world's fastest liar, Ben Johnson, declaring, "I'm going to Disneyland." Drug tests indicate that Johnson had already visited the Magic Kingdom on several previous occasions. Bryant Gumbel blamed for everything.
- Lloyd Bentsen smokes Dan Quayle in TV debate, but Dukakis loses Debate II after flubbing "What-

would-you-do-if-Kitty-got-brutally-raped" question from top-flight, seasoned, really professional journalist—badge, notepad, everything. Press raises possibility that Willie Horton ads may have subtle racist undertones. Public says it's sick and tired of Bush's negative campaigning, won't stand for much more.

- Northwest Airlines mounts 116 miniature TV sets in planes bound from Detroit to Tokyo. Movies, news, documentaries, music videos, cartoons, programs in Japanese available. So far, no programs dealing with

"And you're no George Kennedy either."
—David Letterman





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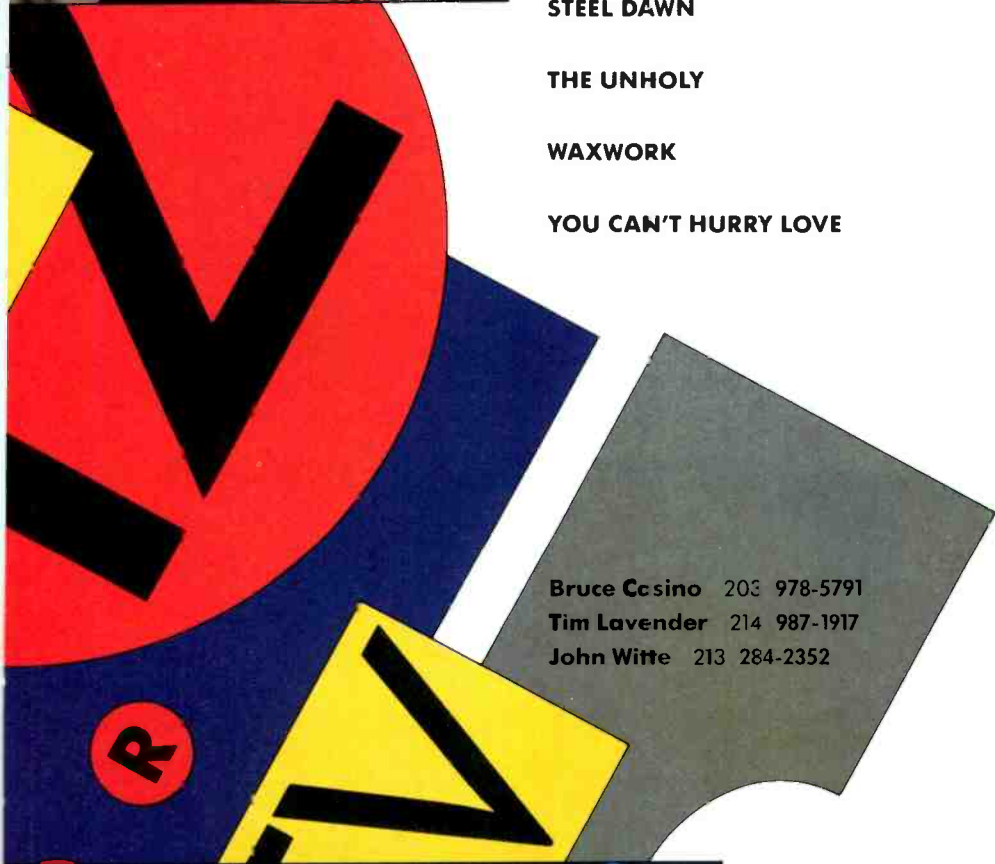
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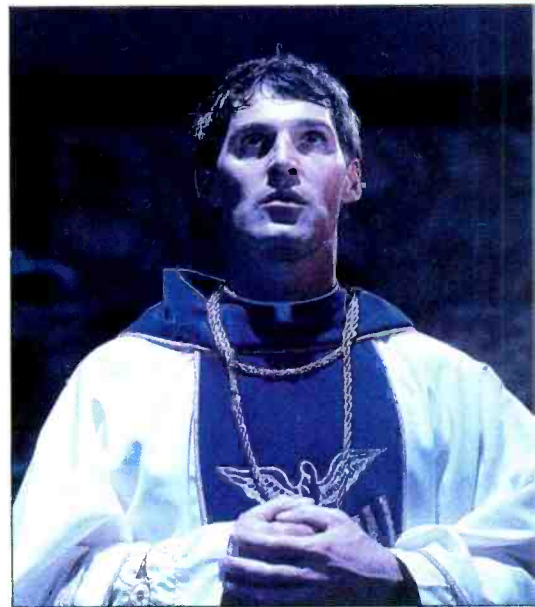
AMSTERDAMMED
 AND GOD CREATED WOMAN
 GHOULIES II
 THE HOWLING III
 MACE
 MIDNIGHT CROSSING
 PARAMEDICS
 RED HEAT
 STEEL DAWN
 THE UNHOLY
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 YOU CAN'T HURRY LOVE

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TICKETS!



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 suites 525 & 527



**VESTRON
 TELEVISION™**



Rick Dempsey caught the game and then the winning pitcher.

safety on the farm, or, for that matter, in Detroit.

(Some 70 percent of passengers said they were more likely to fly on airlines with TVs.)

• Mets and Red Sox go into tank as Oakland A's and L.A. Dodgers face off in Fall Clas-

sic. Provoked by NBC's Bob Costas' derisive but accurate description of Dodgers as one of worst teams in World Series history, Boys in Blue take heavily favored A's in five. Dodgers lefty Orel Hershiser stars; NBC takes bath on short series.

NOVEMBER



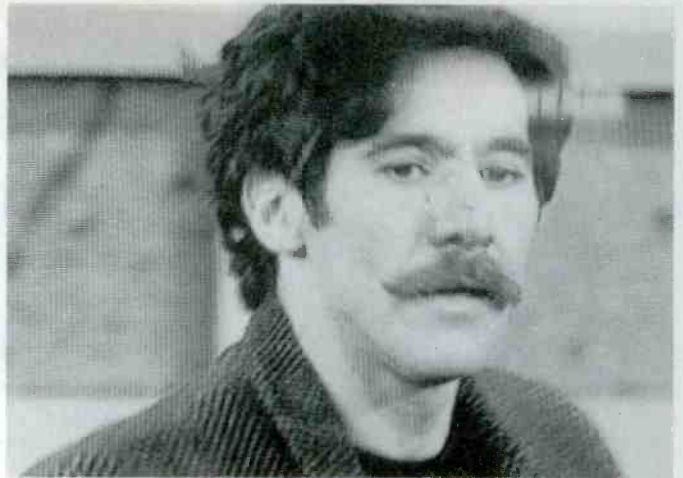
Puke-faced slimeballs unite.



The inimitable *Simon & Simon*.

• Fourth Annual Nancy Susan Reynolds Awards for Responsible Sex on TV are handed out, and Geraldo Rivera doesn't get one.

Shut out of the coveted awards because of his prurient investigative report on satanism, Rivera subsequently gets his nose busted up during an on-air melee featuring assorted Creatures from Beyond Mort Downey. Two nights later, *Simon & Simon* episode depicts a Downey clone being attacked during melee, shot at by



cross-dresser, nearly blown away by deranged Rastafarian. Later that evening, Rivera cancels scheduled appearance on *Saturday Night Live* with Downey. Life continues to imitate art, art continues to imitate Mort, Rivera continues to imitate everybody. No one imitates *Simon & Simon*.

• The weekend before the election, CBS's cutting-edge *West 57th* airs controversial program suggesting that negative ads may be having an effect on the Presidential campaign. "I don't know how

they keep beating the rest of us to these incredible stories," fumes one rival. "But all we can do is just keep on plugging away."



West 57th's cutting-edge crew.

DECEMBER

• Following rumors and widespread fear, Richard Nixon accepts advisory post in Bush administration. Shown here upon completion of his first pre-Inuagural assignment, Nixon proudly displays new White House guards' uniforms. Although outfits bear uncanny resemblance to that worn in recent home-video release, *Robocop*, Nixon insists *he* designed the new look personally.



PHOTOGRAPHS TOP LEFT AND RIGHT BY AP/WIDE WORLD PHOTOS.

HOW AMERICANS WATCH TV: A NATION OF GRAZERS

Last fall, CHANNELS published excerpts from an exclusive study of TV viewing habits. Here's your chance to read more about grazing, remote control and how people feel about television.

.....

For just \$75, we'll provide extensive data from the study, which was conducted by Frank N. Magid Associates, plus extended analysis of its results from noted television industry research experts.

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Family 7PM

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Joseph D. Zaleski
President, Domestic Syndication
Viacom Enterprises

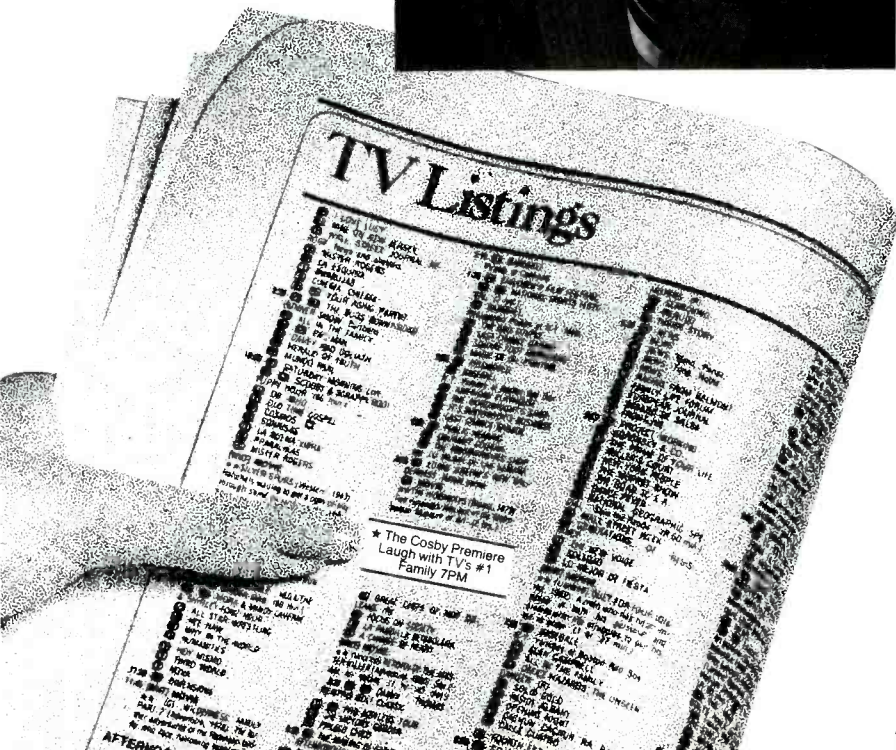
Using TV Log was a logical decision.

The premiere of the Cosby Show was a special event and we knew TV Log would enhance viewer awareness of the inaugural episodes.

And when you're promoting the first off-network series to air on a day and date basis, you have to do something special.

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Making the Tough Calls

Independent television owners are faced with thorny issues demanding difficult decisions on all fronts. And then there's the question of reregulation . . .

Rarely in the brief history of independent television have broadcasters been confronted with such an array of difficult decisions: whether to buy Hollywood films *after* they've been on basic cable; what to do about the sorry state of the children's business; whether to work with local cable. Certainly the most critical issue just now is the coming reregulation of television. That the pendulum swings in Washington is clear from this month's cover story, "Hill Showdown: A Year of Decision." But the firmly held views of Reps. Markey and Dingell that broadcasters need reminding of their public-service roots can, to some extent, be mitigated by the station community, if compromise and cooperation are forthcoming.

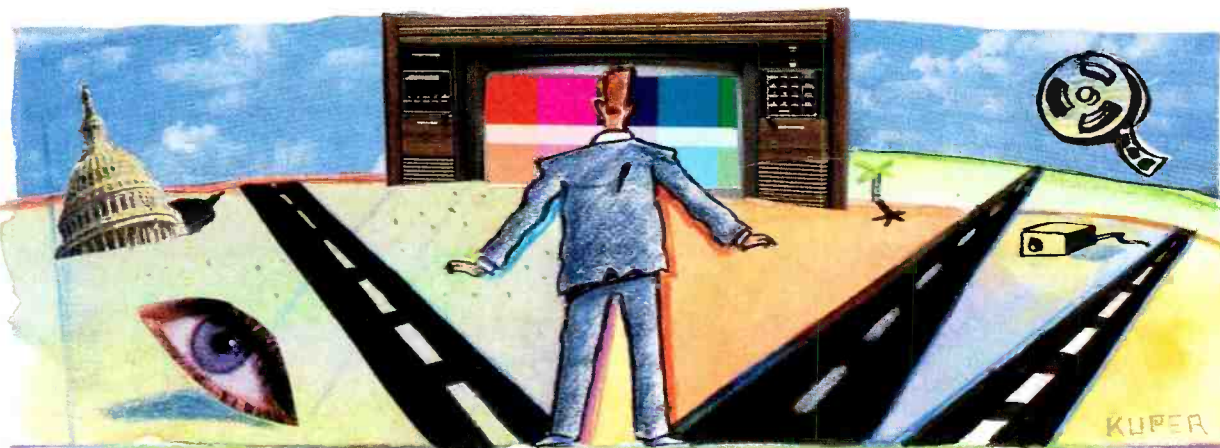
Concern over basic cable's encroachment on the indie theatrical-film window is the subject of Robert Marich's story, "Shifting Windows: An Indie Dilemma." Films that go to basic first will be off limits in

the future, some programmers maintain. In "Can Indies Afford to Have Children," Michael Burgi finds sentiment for abandoning the lackluster kid-vid business until its health returns, a tough call given kid-vid's (former) contribution to indie bottom lines.

Frank Lovece's "Learning to Play in Sweet Harmony" tracks the rise of the cable-liaison specialist at indie stations, and finds that with must-carry gone, many are choosing to snuggle up to the former enemy. There is one area though—local ad sales—where cooperation has been nil. In "Finding Gold in Your Hometown," Joe Mandese nevertheless unearths a variety of sophisticated sales techniques that are bringing new dollars to indies.

In Texas, these issues pale beside the larger question of survival, as too many indies fight for their lives in a stagnating oil economy. Dennis Holder's "Indie Angst in Teetering Texas" questions whether there's room for all, even in good times. All in all, it's compelling reading as INTV time rolls round once again.

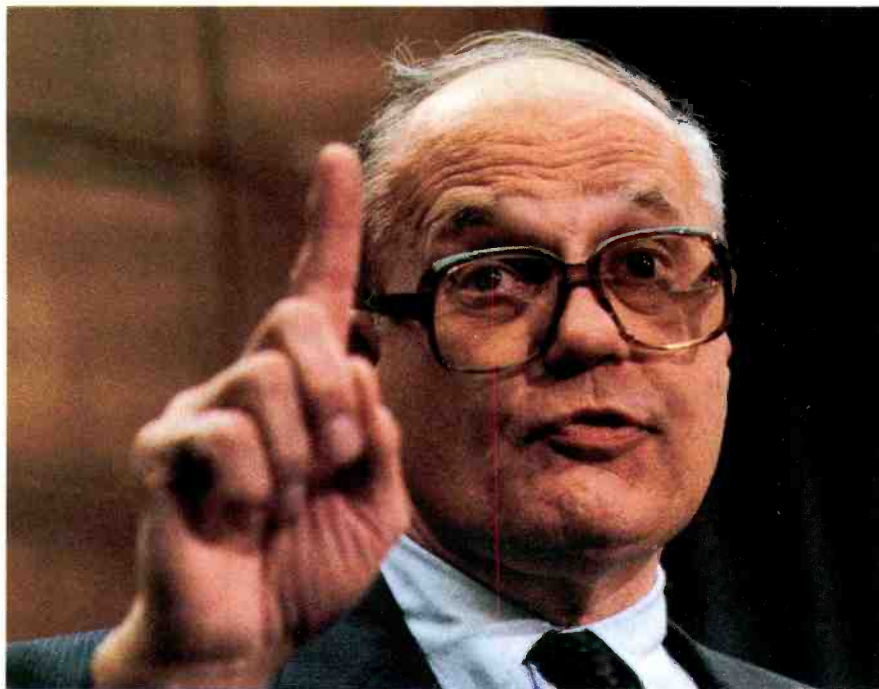
PETER AINSLIE



ILLUSTRATIONS BY PETER KUPER

Hill Showdown: A Year of Decision

Three congressional leaders, calling deregulation a disaster, say the TV industry has a choice: Accept regulation or face the music. **BY DAN SPRINGER**



Rep. John Dingell: 'The only debate is whether the last eight years were a disaster or a calamity.'

A few months ago, Preston Padden rose before the most prestigious communications law group in the nation and delivered remarks that he hoped would set a framework for the future debate about regulation of the television industry.

As president of the Association of Independent Television Stations (INTV), Padden is known for taking difficult, often controversial positions, positions that put him in conflict with government officials and other broadcasting leaders. But in this speech, Padden took an even bolder stance. In essence, he called for a return to regulation of the television industry in an era in which deregulation had become gospel,

warning that the whole notion of free television was at risk if the industry and Congress did not come to see eye to eye on the need for a reinvigorated regulatory apparatus.

As the Bush administration comes to power, a showdown is in the offing between the Federal Communications Commission and the Democratic congressional leadership—led by the powerful, assertive chairman of the full House Commerce Committee, John Dingell (D.-Mich.) and the outspoken chairman of the House Commerce Telecommunications and Finance subcommittee, Edward Markey (D.-Mass.). Aggressive and effective, these two lawmakers, who consider the broadcast deregulation of the '80s a dismal fail-

ure, are a force to be reckoned with. They will settle for nothing less than a return to the public-trustee concept that has guided TV regulation for decades, but that was given short shrift during the Reagan years.

"The broadcasting industry will remain 'special' as long as the public-trustee concept remains its fundamental underpinning," says Markey. "Its special niche in the marketplace has been protected because it is viewed as having a special role. If broadcasters eschew that role, Congress will take a Darwinian view of their faith and there will be no need for us to protect them."

There is agreement on this point from Rep. Dingell, from Sen. Ernest Hollings (D.-S.C.), who chairs the Senate Commerce Committee, which oversees communications issues, and from many others in Congress. They also share a negative assessment of the Reagan years. As Dingell told *Channels* recently, "In short, the only debate is whether the last eight years were a disaster or a calamity. Deregulation has led to an evil conflict," Dingell maintains, between the administration and Congress and between Congress and broadcasters. "I have no personal ax to grind," he says. "However, the broadcasting industry has been conferred a special condition in terms of its placement in society. It has a guaranteed monopoly on the spectrum in exchange for functioning under the public interest. The Fairness Doctrine assures diversity of opinions be viewed, and I don't see that this should change."

Until 1980, when the Reagan administration began the so-called era of deregulation, most members of the broadcasting industry remained resolute in their public commitment to that mission. And throughout the long and continuing debate about the future of the Fairness Doctrine, most broadcasters have maintained that concern about public interest has remained an integral part of everyday business. "In the commotion and confusion surrounding broadcast deregulation and the elimination of the Fairness Doctrine," says Edward Fritts, National Association of Broadcasters (NAB) president, "there has been a good deal of rhetoric about the lessening or even abolition of broadcaster responsibilities to the public. The truth is, a licensee's responsibility to his community has not been diluted and is as strong as ever." As a

result, Fritts says, the free and special status of broadcasters should continue.

Congress, however, sees things differently. While recognizing that Reagan-inspired deregulation enhanced the business environment for the industry, lawmakers decry the damage done to the public-trustee concept. "Deregulation has clearly benefited the profit margins of certain broadcast stations," says Markey. "However, the concept of service in the public interest has been discarded, as evidenced by the elimination of the Fairness Doctrine, children's television guidelines and antitrafficking rules."

Padden's mission of late, after much debate within independent-station circles, is to bring his group closer to the congressional view. "As we move forward in the struggle for the survival of free television," he told the Bar Association, "we broadcasters must seek to avoid any repetition of our amply demonstrated skill at shooting ourself in the foot. Historically, broadcasters have occupied a special status in our communications industry. Each broadcaster holds a license to utilize the public airwaves as public trustee. Our industry was built on what I like to refer to as the 'traditional bargain'—free use of the airwaves in return for our investment in the facilities and programming necessary to render a service attuned to the needs of the community."

A great unknown in the debate is whether President-elect Bush will cling to the Reagan deregulation orthodoxy or retreat to more traditional, moderate Republican regulatory thinking. Former FCC chairmen Richard Wiley and Dean Burch, never considered right-wing conservatives of the Reagan stripe, are both key Bush advisers. Such ideological moderation would please congressional Democrats, eager to rein in a conservative FCC led by chairman Dennis Patrick. "Reagan's approach to deregulation was disastrous," Markey says. "Rather than determining regulation for the expressed intention of increased competition, the Reagan approach was deregulation for deregulation's sake. The time has come to strike a balance between sufficient and excess regulation."

Whatever Bush's instincts, many experts say that with a Democratic Congress in power, he will be forced to

Hollings: found no alternatives to Fairness.



Markey: special protection for a special role.

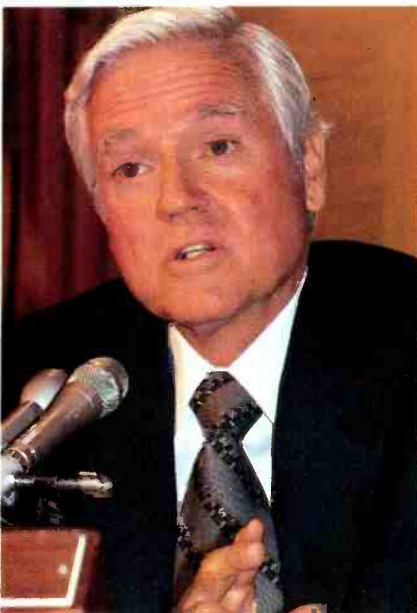
search for middle ground regarding issues on which Reagan gave no ground. The elimination of the Fairness Doctrine and Reagan's November veto of children's television legislation only fueled congressional irritation with the broadcasting industry.

Although Congress is prepared to jump into the driver's seat, its leaders are hoping that the efforts of Padden and others will be combined with a growing realization among broadcast owners and managers that a lasting method of ensuring their historic regulatory status needs to be developed. "It has become more and more evident that only by working together can we forge policy benefiting the public in a long-term, sustainable fashion," says Markey. "Our goal is to forge the types of coalitions [between policy-makers and the private sector] that can sort out legitimate concerns of all organizations, under the rubric of public policy."

Some in the broadcasting industry, Padden among them, feel that Congress is merely fulfilling its own responsibility in insisting on a clear public-interest standard, and that such regulation could, in the long run, be positive for the struggling television-station business. And Padden warns of dire consequences if Congress is ignored. "Far too many of us tend to take free television for granted," he says. "We need to remember that free television is not a given, ordained by the laws of physics. Rather, free television is a creation of Congress. It does not exist in most parts of the world. And, if Congress is not vigilant in its defense, it could cease to exist here."

Others, the FCC's Patrick prime among them, dismiss such concerns, contending that self-regulation and marketplace economics are the only practical and constitutional ways to see that broadcasting flourishes and that the public is effectively served. Says Patrick: "The market has been and will continue to get increasingly competitive, and there is nothing that this government can do and nothing this government will do to reverse the fundamental course of change. That direction is one that involves more and more competition, and government can't protect broadcasters from that change."

Whether Patrick is reappointed to his FCC job and remains to press his agenda is uncertain, but Markey,



'If broadcasters eschew public service, Congress will take a Darwinian view of their faith and there will be no need for us to protect them.'

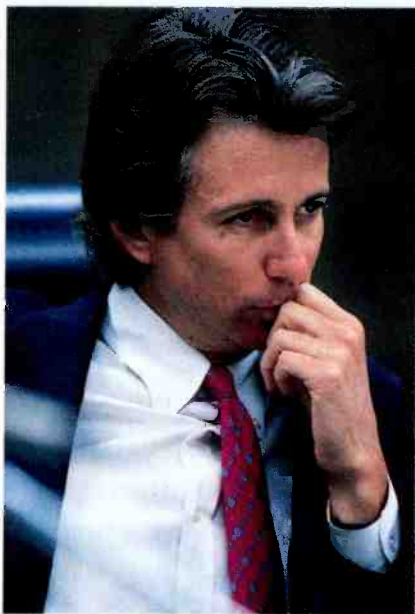
Dingell and Hollings say that, under any circumstances, they are firm in their commitment to reverse the tide of the Reagan years. But first the debate over the Fairness Doctrine will have to be resolved. They have said no congressional action on other regulatory initiatives, including such protectionist measures as the reimposition of must-carry, will be forthcoming from Congress until that issue is settled to their satisfaction. The long congressional list of pending communications issues tied to the Fairness Doctrine supports that claim. "First and foremost, we intend to reintroduce legislation, like the Fairness Doctrine and guidelines for advertising on children's television, reaffirming the public-interest standard obligation of licensees," says Markey. "Once those two have passed, there are many others like must-carry and cable oversight. But only when the public-interest standard is revitalized."

Hollings, who introduced the Fairness Doctrine legislation vetoed by President Reagan in 1987, shares the view. "Two years ago, we asked the FCC to prepare a report on whether there were any less intrusive means of achieving the objective of the Fairness Doctrine. They did not find any," says Hollings. "Since that time, no one has offered any alternatives to the Doctrine. I am always willing to sit down with the broadcasters to discuss this matter; however, I have made it very clear that we must protect the right of the public to have the opportunity to present opposing viewpoints on controversial issues. It is also clear that a majority of members of Congress agree."

Hollings points out that although the reinstatement of the Fairness Doctrine is "first and foremost" on his agenda as Congress reconvenes, other important issues are included as provisions of The Broadcasting Improvements Act of 1987, a bill he sponsored in the last Congress. That bill includes changes in the license-renewal procedure, a reinstatement of the three-year holding rule for broadcast-station ownership and new must-carry rules for cable operators. But first Hollings wants the Fairness Doctrine. "The battle," he says, "is worth it."

A battle it has indeed been. Framed by the FCC in 1949, the Fairness Doctrine's constitutionality was upheld in the 1969 Supreme Court case *Red Lion*

Broadcasting vs. FCC. Since then, until a few years ago, there have been few cases challenging its validity. But in 1985, the FCC conducted an inquiry into the Doctrine and concluded in its Fairness Report that it was unconstitutional. In August 1987, the FCC reiterated its position and repealed the law, saying the Doctrine "no longer effectuated the public interest in access to diverse sources of information." The underlying argument in that decision was that the Doctrine's guidelines acted to stymie the issues-oriented broadcast programming it was designed to encourage. The marketplace, the FCC de-



Patrick: Can't protect broadcasters from change.

ecided, should be responsible for regulating itself.

In 1984, the FCC eliminated guidelines on the amount of advertising on children's television, representing yet another thorn in the side of Congress. Efforts last year to reinstate guidelines, which included input from the broadcasting industry, ended in a Presidential veto. "For virtually the entire history of the television industry, there was a mix of industry self-restraint and governmental rules which served to foster a concern and appreciation for the child audience," Markey said at a recent hearing on children's television legislation. "Unfortunately, the FCC, at the apex of its deregulatory fever and fervor, blindly stripped away commercial-time standards from children's television.

"The Congress can, should and will act on this exceedingly important issue," Markey says. "For if we do not act, commercial television will continue to be the video equivalent of a shopping mall for children, with the sales clerks masquerading as children's favorite cartoon characters."

For some broadcasters, Congress' stand is viewed as a no-win situation. On one hand, if broadcasters compromise on Fairness, that means compromising on the First Amendment. In turn, if they resist Congress, and if the FCC's decision on Fairness is upheld in the courts, broadcasters will face an expanded—and potentially much tougher—regulatory agenda.

Indeed, a decision from the Supreme Court that upheld the FCC's ruling that Fairness is unconstitutional is the wild card in the regulatory debate. While such a decision would strike at the very heart of the public-trustee concept, and would create new obstacles for any content regulation, it would also unleash new regulatory fervor in Congress, including the likelihood that broadcasters could be charged for use of the airwaves.

Although there are many, both in Congress and in the private sector, who believe in the Fairness Doctrine as a practical instrument, others are convinced the battle is more over what it represents rather than what it really does. And that battle has managed, in many ways, to divide the very industry the Fairness Doctrine aims to regulate. Not only is there now a struggle between the broadcasting industry, Congress, the FCC and the administration, but among broadcasters themselves.

"We have a divided broadcast industry," says NAB's Fritts. "There are some who believe in the Fairness Doctrine and others who believe strongly in the First Amendment."

But the NAB may be coming closer to the INTV view. At an NAB joint board of directors meeting last year, a number of members seemed ready to support a dropping of the association's opposition to Fairness, and the NAB may well do so at a meeting this month. But even if that happens, it will not be a signal that broadcasters have reached a consensus. Even Padden is uneasy with the stance. "We are not fond of the Fairness Doctrine," he says. "But we have talked to people on

the Hill and have been convinced that if we want policies that will allow us to survive in the changing communications universe, we might very well have to accept it and other things.

"Our First Amendment freedoms are important and must be considered—and considered prominently—in all decisions affecting our future," says Padden. "We should not roll over for every new regulatory idea of the moment. But, the public-interest standard is also a fundamental part of the organic structure of our industry. It cannot be wished away. From time to time, these two precepts—our First Amendment rights and the public-interest standard—come into conflict."

Other broadcasters, in spite of their respect for INTV, are even less sanguine about such an equation. Says Tom Herwitz, the Fox Television vice president who handles governmental affairs, "I think INTV is possibly the most effective organization in town. However, if we [broadcasters] want to be treated as special, we have to show we are special, and we have to show interest in being a company that serves its viewers. Without anyone except our viewers telling us to, and in absence of regulation, we [Fox] have served the public interest."

INTV's position so irritated William C. McReynolds, president of the broadcast group of the Meredith Corp., the seven-station, Des Moines-based broadcaster that was once found to have violated the Fairness Doctrine, that Meredith withdrew from the Association. "Given our role in the 1984 Fairness case, it seemed completely unconscionable to continue our membership in an organization that said 'We don't care if the Fairness Doctrine is brought back,'" says McReynolds. "It comes down to a difference in philosophy. We believe the issue of First Amendment rights is absolutely basic and can't be traded or played with."

A few other broadcasters, notably at Group W, argue that most stations are doing what the Fairness Doctrine requires of them anyway, and thus see nothing onerous in the trade-off. Says Gerald E. Udwin, a vice president at Westinghouse Broadcasting, which, virtually alone among broadcasters has long supported Fairness: "If we continue to say we are alone among media, and we agree to accept legislation that

Fritts: Public interest is as strong as ever.



Padden: A nation of media haves and have nots?

forces us to broadcast controversial issues fairly, then maybe we deserve the help we ask for from government."

FCC chairman Patrick, naturally, views such tactics as counterproductive. "I see their way as an error of fundamental significance," says Patrick. "It is a mistake in position on a constitutional level, and I think their position on the Fairness Doctrine is misguided for the simple reason that the First Amendment is not theirs to trade.

"INTV has made an error in judgment with respect to business matters. As a business tactic and as an approach for the industry to be taking, they have also erred. What INTV seems to be saying is that they are willing to trade a little bit of regulation for a little bit of protection. The government cannot deliver the sort of protection that INTV would like to have in the competitive marketplace. In that sense it is folly to be pursuing that tact."

Nevertheless, last spring, the INTV board of directors, "in order to preserve a national base of free universal television service," adopted a national communications policy that indicated what it wanted in return for a compromise on Fairness. It called for no spectrum-use or spectrum-transfer fees, the availability of additional spectrum to be allocated for high-definition television, legally assured free carriage and "nondiscriminatory channel placement" on cable television (i.e., must-carry), stability in the comparative-renewal process and a "level copyright playing field with the opportunity to enforce marketplace contracts."

"Resolving the future of free television will involve many difficult and contentious issues," Padden says. "However, the most urgent need is to convince the architects of public policy to focus on these issues—to make sure that free television does not disappear by default. If Americans are to lose the benefit of our system of free local television, if we are to become a nation of media haves and have nots, then those results should flow from conscious and considered decisions by the same Congress that created our free broadcast system in the first place." ●

Dan Springer is the Washington correspondent for Media Business News.

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'We should not roll over for every new regulatory idea of the moment. But public-interest is a fundamental part of our industry.'

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Learning to Play In Sweet Harmony

Regulatory change strikes fear in cable operators and broadcasters alike. So the bitter competitors have become an unlikely duo.

BY FRANK LOVECE

Détente is probably an apt description of the current state of cautious cooperation between the superpowers—broadcast and cable. Yet the magnitude of their cooperation at this point is less the stuff of a summit than of a town meeting.

Across the country, a handful of mostly independent stations and local cable systems are starting to make peace. Stations are hiring staffers with the title or function of cable liaison. Many are also finally allowing local cable systems to buy ad time. Some stations air “preview nights,” or even entire weekends (see Marketing/Promotion, this issue) to showcase what’s available on local cable; others produce news inserts to fill cable operators’ unsold local availabilities.

“It’s the product of a grass-roots reaction,” says National Cable Television Association president James P. Mooney.

Local stations and cable systems are shoring up for a possible regulatory tidal wave, stirred by the absence of must-carry rules, the reimposition of syndicated exclusivity (syndex) and, for cable, a sea monster with fiber-optic tentacles—telephone companies.

The new attempt to get along is, for now, a local phenomenon. “There are automatic adversarial roles between cable and broadcasting on the national level,” says Cheryl Marks, cable liaison at independent WTOG in Tampa/St. Petersburg. “The only thing we can do is affect change on the local level.”

The Federal Communications Commission’s must-carry rules, overturned by the U.S. Supreme Court, run to the

heart of the new cooperation. With indie stations no longer guaranteed carriage on nearby cable systems, stations are ingratiating themselves with cable operators.

Syndex, which the FCC will begin enforcing in August, requires a cable system bringing in distant signals to black out syndicated programming—usually on superstations—in markets where a local broadcaster owns exclusive rights. “Our fear,” writes Tele-Communications Inc. president John Malone in a recent letter to regional superstations, “is that a new



Cable liaisons are being hired by large station groups and by small indies: Vic Fredricks is liaison for six Malrite stations, and Barbara Morris is on the job for Atlanta indie WVEU.



syndicated-exclusivity rule would create many new friction points with broadcasters and undo much that we have accomplished over the last two years.”

And for cable operators, worried about the day the government may allow telephone companies into their business, good relationships with local stations, which will supply programming to whomever carries the signal, are necessary.

“There continues to be mistrust between the two groups, and that has to be dealt with,” says consultant Bruce Kaufman, president of Kaufman Communications. “You have two competing industries that rely on each other. I

have a hard time trying to come up with an example of any other business that has a similar situation.”

The most prominent new tool for fostering good relations is the local station’s cable liaison. Only a handful of stations carry a full-time person in that capacity. The Association of Independent Television Stations (INTV) listed just 21 in its 1988 census, the first in which the position was included. And in the year since that census was taken, many stations have either tacked liaison duties onto other positions—from the general manager to the public-affairs person—or retained an outside consultant such as Los Angeles-based Kaufman, or Ebcorn in Indianapolis. So rapidly growing and confusing is the phenomenon that the National Association of Broadcasters’ special-projects manager, Jeanne Cadwallader, has been developing a data base since late last year to track liaisons and provide resources for stations.

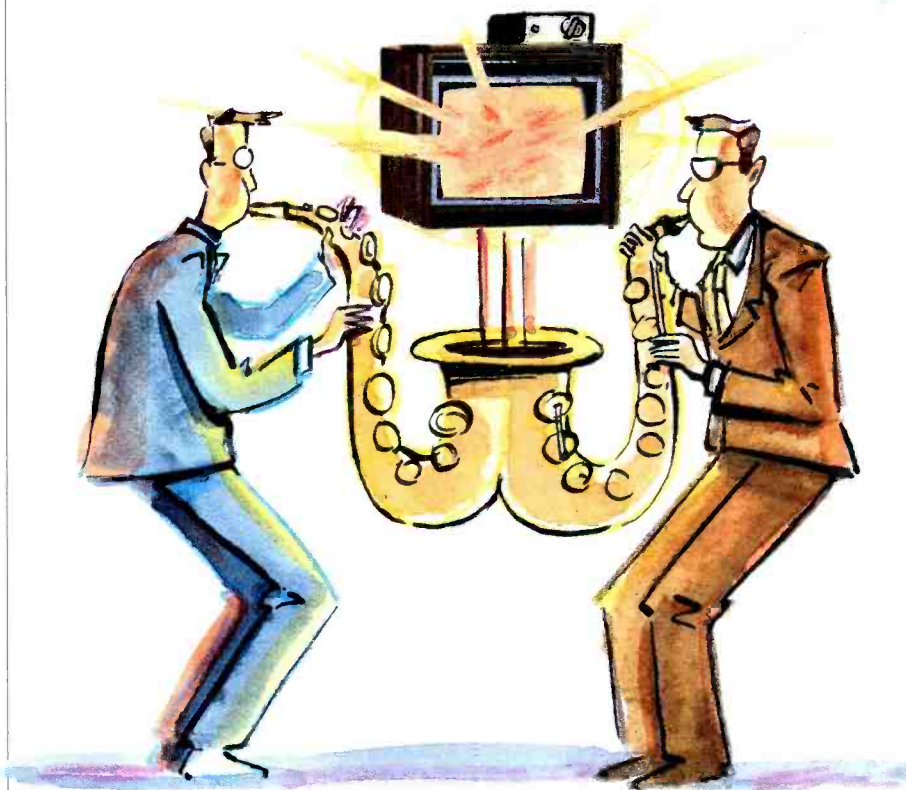
One such liaison is Mark Magistrelli, community-affairs director of Cincinnati indie WXIX. Cable relations takes about 30 percent of his time. “We contact the cable operators every month or two,” he says, “and we try to ascertain if there’s something

we can do for them. Basically, we’re making sure the relationship is solid.”

Part of it, he says, is playing fireman: tracking down reception problems and dousing developments that might deny a station carriage. He is also a face cable operators can go to immediately with questions, most of which, he notes happily, are engineering related.

Barbara Morris, the full-time cable liaison at smallish Atlanta independent WVEU, says her station is on 37 of the 91 cable systems in her vicinity. She deals regularly with about 50 cable operators. “I live in my car,” she says. “I’m responsible for contacting cable systems that do not carry us and persuading them to do so, for updating our existing relationships, and doing P.R.”

When her position was created in May 1987, she recalls, cable operators were surprised. “We’d sent out a cover letter requesting an appointment,” she says. “Most of them wanted to know just what it was I wanted. But it’s been successful,” she believes. “In my first



year here, I helped increase the number of cable operators carrying us.”

Clearly, cable liaisons are quite like traveling salespeople, especially those at smaller stations. But for large broadcasters with secure carriage, the position can be less a Fuller Brush man than a policy expert who can help cure operators’ headaches.

Vic Fredericks, cable liaison for six stations owned by Malrite Communications, is a ten-year veteran who got his start fielding technical and engineering problems encountered by fledgling cable operators. Most of his stations are strong in their markets, he says, and so his job now is maintenance and the provision of resources.

“I try to help the operator look at his lineup,” says Fredericks, “and determine what’s actually being watched and what’s not. Many of them don’t seem to have access to actual viewership data for their services. I found that some cable services were almost totally unwatched,” he claims. “Arbitron and Nielsen were unable to track any viewership at all.”

Along with ratings information, a thorough cable liaison supplies engineering, regulatory and copyright data. “To a certain extent you’ve got to

have an engineering perspective,” says Kaufman. “A lot of problems can be solved by installing microwave dishes. And you need legal expertise—not to give legal advice, but to be familiar with the changing regulations. For example, you have to be conversant in how a cable operator can get an exemption on copyright fees based on the distant-signal provision.” All of this might involve providing the operator with data on distances between broadcast transmitters and cable headends, or ratings information and syndication contracts to clear up distant-signal, copyright and syndex questions.

Obviously, not all stations can afford such a position, so freelance consultants have sprouted. In that case, says Andy Ebbert, president of one such firm, Ebcom, “They end up with someone—the program director, a promotions person, whoever—who’s supposed to be handling the cable situation and keeping in touch with operators. But a lot of times they don’t understand cable and don’t know the regulations, especially these days when they’re changing so much.” Ebbert’s *modus operandi* is to train a “designated hitter” at the station and then supply computerized data about cable sys-

tems’ ownership, franchises, channel array and demographics and the station’s own cable coverage.

Cable operators, in general, seem favorably inclined toward liaisons. Barry Marshall, vice president and chief operating officer of TCI West, says, “The liaison people do a good service in terms of communicating, which is something the two industries have never done much of in the past.” Patty Lumpkin, marketing manager of a Paragon Cable system in Hillsboro County near Tampa, Fla., also appreciates the trend. “I know they’re trying to sell me something, but it’s something I need,” she says. “And it’s just good to have a face there; it personalizes things.”

Aside from the opening of a basic communication channel, broadcasters’ outreach attempts have yielded some innovations. Joint promotions between indie stations and cable operators are becoming commonplace, events such as food drives, with a station putting up airtime and a cable operator offering contributors some minor discount. WOIO, a Cleveland, Ohio, indie, keeps technical equipment on hand for local cable operators to borrow in a pinch. And consultant Kaufman, who works with several Fox affiliates, says Los Angeles’ KTTV, owned by Fox, negotiated a deal with Cox Cable in San Diego, making the station the exclusive Fox outlet on the system.

Cable-preview nights are also getting popular on indie stations—so much so that Cable Video Entertainment, an Edgewater, N.J., firm that produces *Curtain Going Up*, a monthly preview show for cable systems, has landed the program on at least five TV stations. It began with Prime Cable in Atlanta asking indie WVEU to run the half-hour show for free as a goodwill gesture to help sign up subscribers. Since then, indies KSCI and KWHY in Los Angeles, WDZL in Miami and WGBS in Philadelphia have aired the program at least once. “Generally,” says Cable Video president Dick Sullivan, “the cable system buys it and distributes it.”

Curtain Going Up is modest compared to the telethonlike “homespassed previews” that some stations and cable operators jointly arrange. Says TCI’s Marshall: “It’s fairly typical to take an evening, usually a Sunday night, and put cable stuff on, give people a telephone number where they can sign up, maybe with some price

A Bewitching Promotion

Under the glare of a full moon, behind the wolfen howl of the children of the night, a cable operator and an independent TV station got together for a Halloween promotion. Ooooh, *scaary!*

"It was our Halloween Bright Lights campaign," remembers Patty Lumpkin, marketing manager for Paragon Cable in Hillsboro County, Fla., outside Tampa. "We had trick-or-treat bags, reflective stickers to go on costumes and a brochure on safety tips. We couldn't distribute them through the school system, so . . . we used other avenues."

One of them was WTOG, a Tampa/St. Petersburg independent, and a chap named "Dr. Paul Bearer," the local horror-movie host. The good doctor, much identified with WTOG, helped pass out Halloween bags emblazoned with the Paragon logo. Both Channel 44 and Paragon got nice publicity while doing a good deed.

"That's a good example of a general trend," says TCI West vice president and chief operating officer Barry Marshall. "Cable operators are an integral part of the community. We've got to start behaving that way." F.L.

break for new subscribers."

One of the most ambitious efforts was that of Dallas indie KDFI, which ran a six-hour, two-night "Cable Sneak Freeview" that spotlighted HBO/Cinemax, Disney Channel and basic-cable programming. The preview, paid for by a Dallas/Fort Worth cable consortium, yielded 15,847 basic-cable and 24,343 premium sales, solidifying KDFI's cable relationships.

Cincinnati's WXIX also ran such "freeviews" early last year, with two cable systems chipping in to buy three hours of prime time. "The cable companies got a few thousand sign-ups," says community affairs director Magistrelli, "and we made sure our over-the-air audience knew where they could find us on cable."

Less common but more innovative are news inserts on local cable: By providing exclusive news briefs to cable systems, stations give cable operators the prestige of news and get, in return, a free plug for the evening broadcast.

"I have several clients working on this," says consultant Kaufman. "We've already done it with KICU [San Jose/San Francisco] and Bay Area Interconnect," which supplies ad spots that run simultaneously on several interconnected cable systems. "Every two hours on the Classic Movie Channel, there's a two-minute news segment," Kaufman says. "At the end we say something like, 'For complete news, watch *The News at 10* on Channel 36.'" No cash changes hands:

KICU provides the segments for free, and the interconnect's cable companies provide the time.

"Broadcasters obviously have a lot of expertise in the area of advertising, and they use up a great deal of advertising availability to promote themselves," TCI's Marshall says. "Now we're learning to do the same. We use cross-promotions quite a bit in our markets because, of course, it reaches the audience that we can't. And to the audience that does subscribe, these kinds of messages tend to reinforce value."

Local ad sales are still a bone of competition, if not contention. But like in-laws at a divided wedding, everyone is sanguine. Local-ad competition is "a major factor in some cases" impeding cooperation, says Malrite cable liaison Fredericks. He adds that in "most distant-signal situations, competition is an unfounded fear." A local dry cleaner, he suggests, has no reason to advertise in a town miles away.

Paragon Cable's Lumpkin agrees: "We can make television advertising affordable to smaller businesses that are only interested in our area."

And NCTA president Mooney suggests narrowcasting is a factor. "There's a lot of cable aimed at much narrower demographics than almost any form of broadcasting. You'll see certain kinds of advertisers gravitate to cable that wouldn't be on broadcast, and the converse could be true, too," he says.

These are reasons no cable operator and station have packaged their advertising for joint sale. Yet the main rea-

son remains simple competitiveness. "Who would make the sale [for whom]?" asks an official at an industry group.

Yet if everything apart from advertising is so hunky-dory, why haven't cable and broadcasting worked together for mutual benefit any sooner?

Up until the last couple of years," Paragon Cable's Lumpkin says, "there has been no cooperation at all on the broadcast side. They thought of us as competition. They wouldn't let us buy time; they wouldn't even return phone calls." Now, with must-carry in limbo, stations cannot be complacent.

Yet Marshall concedes that cable hasn't helped matters. "It's a matter of focus," he feels. "Our industry has changed and grown so rapidly, we've never been able to focus. Now, growth is important, and sustained growth has got to come from internal sources."

As always, there's no better way to reach masses of potential customers than via TV advertising. Broadcasters are providing cable with that wide-ranging access, often with carriage or favorable channel placement in mind. This symbiosis seems healthy: To viewers, it's all simply television, and they want the greatest choice possible.

Yet interestingly, network affiliates generally do not bother with cable liaisons and cross-promotions. They feel they don't have to, since they're in little danger of being dropped. And independent stations, aside from their cable-liaison efforts, have only one trump card to play against cable systems: relatively wide ad reach at a low cost. Will the cooperation go on after cable reaches its saturation point? Or will cable and broadcast find new friction in the future?

"I'm thinking back to 1985," muses Magistrelli. "A lot of the mom-and-pop operations from back then have been consolidated into the TCIs of the world. And that makes a difference in terms of access to people who can make decisions. A lot of times, decisions are made on a corporate level that a local operator may or may not like, but has to execute."

Mom and Pop have moved away. Now the question for TV stations is whether they'll find friends in cable's corporate offices down the block. ●

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Frank Lovece last wrote for Channels about the state of pay per view.

Indie Angst in Teetering Texas

Times are tough in the Lone Star state, especially in Big D and Houston, where there are too many stations even for good times.

BY DENNIS HOLDER

Where was George? Where was Michael? Texas independent television operators are moaning as the 1988 Presidential campaign fades into history. Where were all those saturation political ad dollars that were expected to rescue Lone Star indies from the bottom-of-the-barrel oil economy?

While the national media complained of negative campaign advertising, g.m.'s in Dallas and Houston prayed for the mud to sling their way. But despite the Texas roots of Vice President George Bush and Sen. Lloyd Bentsen, neither the Presidential race—never particularly competitive in the state—nor the down-ballot contests provided the revenue boost desperately needed in a state foundering on hard times.

Political advertising laid claim to little of the excess inventory in Dallas, where 30 to 40 percent of the 20,850 spots available in the market each week typically go begging. They barely ticked rates in Houston, where the choicest ad blocks go for half the price of four years ago. And they failed to bring black ink to Texas indies, where the record of the past three years is written largely in blood red.

"The year 1988 was supposed to be the salvation of spot television in Texas," says John McKay, president and g.m. of Dallas' locally owned KDFI. "Lord knows, we need salvation. A lot of us were really counting on political ads to help us stop the bleeding. What actually happened was a real blow, a huge disappointment, to say the least."

But the failure of political ads to materialize was just one of the year's disappointments for Texas indies. The Summer Olympics did not coax advertisers into the marketplace as had been expected. The sagging Texas Rangers failed to win the viewers and sponsors hoped for by KTVT, the Dallas indie

owned by Gaylord Broadcasting, which is negotiating to buy the team.

With unemployment nearly twice the national average and growth at a stand-still, retailers also disappointed Texas TV stations. In Houston, General Mills cut its TV budget some 40 percent from the 1987 level. In Dallas, a major supermarket chain and two



Rumor has the Texas Rangers going on the bird.

department-store groups disappeared in the past 18 months. Those that remain have pared their ad budgets substantially in response to the economy.

And like indies everywhere, Texas stations have not been spared the downturn in kid business and the fourth-quarter spark it used to bring. "As far as anybody really hurting, the place it's really off is in kids' business," says Julio Bermudez, g.m. of KTXH, the TVX station in Houston. Jerry Marcus, g.m. at Houston's Fox-owned station, KRIV, notes, "There are no hot new toys, no strong kids' product.

The kids' business is very important for indies, and it is just not there."

While that problem may be universal, the lackluster local economy is not. The once buoyant energy business in Dallas and Houston, the nation's eighth and tenth largest TV markets respectively, has dealt blow after blow since the price of oil plunged from \$35 a barrel to below \$10 early in 1986 (today, it's at around \$15), and some indies now may be losing up to \$10 million a year. "It's a pretty dismal time right now," says Charles Edwards, executive v.p. of Gaylord Broadcasting and g.m. of KTVT, channel 11 in Dallas.

While the economic blight reaches even into Austin and San Antonio, markets that are not overpopulated with stations (in fact, media buyers carp that there are too few for their needs), Dallas and Houston are hardest hit.

Dallas offers the clearest picture of the troubles that have beset broadcasters in recent years. Wildfire growth in the early 1980s saturated the market with independent stations, and today there simply are not enough viewers and advertisers to go around.

The metropolitan area that includes Dallas, Fort Worth and their suburbs is home to three network affiliates, a VHF independent and four UHF indies. In addition, there is an all-religious UHF indie, a Home Shopping Network affiliate, two newly opened Spanish language UHF's and two—count 'em, two—public television channels, for a total of 14. The only competitive soft spot is in cable, which has less than 40 percent penetration.

All of these do battle in a city where a 22-year supply of office space sits vacant in shining new glass-and-marble towers. They look for dollars where the second-largest bank failure in U.S. history occurred last summer and where the third-largest may now be in the works. They vie with two daily newspapers, both cutting staffs and ad rates to stay afloat, and with 39 fiercely competitive radio stations that, incidentally, walked off with most of the political ad dollars in the market for 1988.

With only \$300 million to \$325 million a year available for TV advertising (compared to roughly \$1 billion shared by three affiliates and three indies in New York City), the economics of the situation are not hard to figure. The supply of available spots outstrips demand and weekly inventories go un-

sold. In the scramble to fill them, stations offer sweetheart deals and abandon rate cards to sell top-rated program spots at rock-bottom prices.

"It's great for us," says Dallas media buyer Joan Martin with Tracy-Locke, the state's largest TV time buyer. "We can pretty much go in and cherry-pick whatever we want to buy. A few years ago, the affiliates would come to us and say, 'Here's what's available and here's the price. Take it or leave it.' Now they beg us to take it and we tell them how much we want to pay. We actually are seeing the affiliates undercut the indies."

Laments McKay, "The affiliates in this market are acting like indies. They will do anything to get a piece of business. Even Dallas' leader, ABC affiliate WFAA, is cutting rates and begging advertisers to take any show they want. When the leader does that, you can be sure that the indies are hurting."

According to *Dallas Morning News* business writer Michael Weiss, A.H. Belo's WFAA operates barely above break-even in the current economy. "The affiliates are just hanging on and waiting for things to improve in two or three or four years. I don't see how all of the independents in this market—the most overstocked large market in the country—can afford to hang on."

In Houston, analysts and operators say the current situation is nearly as grim. Though fewer stations compete in a market of roughly the same size as Dallas, the city suffered more from the plunges in Texas oil, real estate and banking. Even the NASA-centered aerospace industry, usually considered a cushion when energy lags, has done little to bolster the economy since the Challenger space shuttle disaster.

"We're having it a lot tougher than most markets," says KRIV's Marcus. "We are so closely tied to the energy industry that our whole city goes into a recession when oil prices substantially drop. We are the number one indie in our market, and we are getting by. But it is very difficult right now."

Independents in both cities have tightened their belts in the face of multi-million dollar annual losses. Attrition and lay-offs have slimmed staffs at some stations by as much as half. Popular shows such as *The Golden Girls* and several prime movie packages have come and gone without a tak-



er. Says one g.m., "We've shed the fat; now we're lopping off arms and legs."

Not every independent in Houston and Dallas faces amputation, at least, not yet. The stronger ones—especially Gaylord and Fox stations in the two cities—confront troubled times with strategies of aggressiveness. They shore up programming and improve marketing techniques in the belief that if they survive the current crisis, they will emerge stronger for the effort.

While most other stations no longer bid on new program packages, for example, Gaylord continues to acquire selectively the rights to shows that score 7s, 8s and 9s in local ratings battles. *Webster*, *Charles in Charge*, *Twilight Zone*, *Night Court* and *She's the Sheriff* lead a roster of 24 first-run programs that, Edwards believes, "may hold us well into the 1990s." Exclusive sports programming, including all Texas Rangers games, also gives a leg up to KTVT in Dallas and KHTV in Houston, says Edwards, who buys programming for both.

Neither Edwards nor anyone else in his company will discuss widely reported rumors that KTVT may develop into a Southwestern superstation. The reason for their silence, no doubt, is the

fact that Gaylord, already a minority owner of the Texas Rangers, is currently involved in sensitive negotiations for control of the team. A similar effort a year ago was rebuffed by Major League owners because they feared a KTVT superstation featuring Rangers games would create new audience competition for their own franchises. The owners' position has apparently softened recently and a possible superstation is still a factor in discussions. Gaylord executives insist that no such idea ever crossed their minds.

Houston's KTXH carries 81 Astros games and 44 NBA Rockets games and does well "when the teams do well," says g.m. Bermudez. The station also scores nicely with Southwest conference football and basketball and high-school sports. But insiders say a load of expensive program commitments more than offsets any profits these events may ring up.

The Fox station, KRIV, leads other indies in Houston, and its ratings frequently top network affiliates as well. According to Marcus, such Fox prime programs as *21 Jump Street*, *America's Most Wanted* and *Married With Children* regularly score second or third in their time slots. In Dallas, the

same shows rarely top fifth.

The only full-fledged nightly news program offered by a Texas independent, KRIV's 7 P.M. newscast, often attracts more viewers than *The CBS Evening News* on an unusually weak CBS affiliate, A.H. Belo's KHOU.

Like other Texas indies, though, Gaylord and Fox concede that strong programming and respectable ratings are not enough to assure survival.

Imaginative marketing and energetic, pavement-pounding sales hold the greatest hope for keeping stations on the air.

Consequently, Texas independents have pioneered a nationwide move to adapt radio time-sales and promotion



Texas TV Titans (clockwise from top left): Gaylord's Charles Edwards; KDFI's John McKay; KRIV g.m. Jerry Marcus; KTXH g.m. Julio Bermudez.

techniques to the TV marketplace. For the first time, they are learning to marry spots to point-of-purchase promos, special events and blockbuster programming. "You can no longer schlepp 30-second spots on the street like you could ten years ago," says Edwards. "You've really got to get out there and sell and show that you give advertisers extra value for their money."

Leading the trend toward innovative selling in Dallas is Fox's KDAF, channel 33. A year-long public-service campaign called "Life. Be In It" couples local events such as a 10-K marathon run at the Dallas Zoo to advertiser hand-outs (T-shirts, bumper stickers, etc.) and sponsor-related "infomercials." Because of its public-service emphasis, the campaign often draws additional dollars from advertisers' public-relations and promotion budgets.

"It's been quasi-successful for us so far," says KDAF general manager

Gayle Brammer. "We find that it helps us at least get advertisers to listen to what we have to say. Not all of them respond as we would like them to, of course, but if we can even get our foot in the door, it's worth it."

Borrowing even more directly from radio, the station entices viewers with a "Watch and Win" contest. Five names each day flash on channel 33 screens, and the first named viewer who calls in wins a VCR or a TV set. "Of course, you can only get channel 33 on them," jokes Brammer.

Other Texas stations, including Dallas' KTVT, go so far as to produce programs of interest to specific groups of advertisers, to sell ad time in blocks of first-run syndicated programs to favored advertisers and to create regional unwired networks. "You have to be creative," says McKay.

"It's nice to see people selling television for a change," says Larry Spiegel, director of media services for Tracy-Locke. "The concept of 'here are my availables; check the ones you want' is completely gone from the market, and it's about time.

In the '60s, it was, 'my tower is taller.' In the '70s and early '80s, it was, 'my programming is better.' Now it's merchandising and promotion. Sales people are actually out making sales calls. Amazing!"

Despite the extra effort, Texas independents look fearfully at their calendars and ask, "When is it going to end? When will the good times roll again? When will we make some money?" Some are optimistic. Most are not.

"I see 1989 as being a little better than 1988," says Bermudez. "Optimistically, I see it up maybe 3 to 4 percent over 1988. You have to keep in mind, though, that '88 is down from '87 and '87 was down from '86. I think it is going to be a long time before we see the kind of revenues we got used to back in the early '80s."

The question is, can beleaguered indies hold out for "a long time?" Can troubled chains like TVX continue to

endure heavy cash drains from money-losing operations? For that matter, can such a glutted market as Dallas ever come back strongly enough to support all the stations currently on the air?

"I don't know that the independents in Dallas would be any better off in a normal, good economy," says Spiegel. "There are simply too many stations out there for a market this size. Too many owners looked at Texas boom times and thought they could make a ton of money. Well, a lot of them are going to wake up to the fact that the boom days are never coming back and realize they're in a ton of shit."

What are the options? All four Dallas UHF's have been on the block in the past two years with nothing to show for the bother. Nobody in his right mind wants to buy an independent Texas television station, not at anything approaching the premium prices current owners paid early in the decade or in the 1970s.

"I don't see anybody turning off the transmitter and just going home," says Michael Weiss at the *Dallas Morning News*. "But I wouldn't be surprised to see stations getting together in some way, some kind of consolidation."

Rumors to that effect are strong, and strongly denied: that three Dallas stations—TVX's channel 21, Pat Robertson's channel 39 and John McKay's channel 27—are meeting to discuss the possibility of merging their operations. The arrangement would supposedly reprogram channel 39 as an all-religious outlet. One of the other two stations would gain control of all entertainment programming and one would go black.

"We've got a lot of people standing around saying, 'We oughta, we oughta,'" says McKay. "But nobody's doing anything. Give us another year like 1988, however, and I think you will see something start. I think it's the kind of thing where you take one and add one and get two. There simply is no other answer."

Meanwhile, says McKay, "It's just get out there and grovel—compete as best you can. It is a marathon event, and the finish line is nowhere in sight.

"Network affiliates are trimming the fat," he adds. "We independents are down to gouging out the marrow." ●

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Dennis Holder, a Dallas-based freelancer, writes about the media.

Can Indies Afford To Have Children?

A glut of barter, a shortage of hot toys and shows plus audience erosion have the kids' business in need of fresh batteries.

BY MICHAEL BURGI

Ask any group of red-blooded American kids what's on TV and chances are good they'll give you an accurate rundown of the programming in your market, especially their favorite kids' shows.

Chances are also good that they'll reel off cable shows such as *You Can't Do That On Television* and VCR favorites such as *Cinderella*, along with the network and independent programs.

Their answers, in fact, are likely to provide a pretty good insight into at least one of the problems besetting kids' programming at indies today: audience fragmentation.

But that's only part of the trouble. Hand-in-hand with it is the overall decline in ad revenues for children's programs that independent stations have experienced over the last several years. That issue, fueled by a lack of hit toys, by the rise of barter advertising in children's shows and by cable's increasing sway over ad dollars destined for children's television, has gotten so serious that some independents are actually backing away from the genre—at least until its health improves.

"We are not actively seeking any more kids' shows," says Ted Stephens, sales manager for indie KDSM in Des Moines. "In fact, you might see a more adult show appear in our usual 3 to 5 P.M. kids' time slots in the near future."

Bugs Bunny, *Magilla Gorilla* and new fare such as *Double Dare* rely on toy companies for the bulk of their ad support, with the cereal and snack-foods industries chipping in as well. And while ad dollars for the latter two categories have remained steady, it's the toy industry whose batteries need changing. It hasn't had a breakthrough hit since He-Man and his galaxy of plastic accouterments a few years back.

"There have not been any new, home-run hitters introduced into the marketplace from the toy business," explains Art Heller, executive v.p. of media programming for ad agency Griffin Bacal, whose biggest client is toy heavyweight Hasbro (owners of Milton-Bradley and Playskool). Allen Bohbot, president and CEO of media-buyer Bohbot Communications, fears that the toy industry's only current hot sellers, video games, are actually a double-barreled threat to television: They contribute to viewer erosion and, because of their popularity, they don't need a lot of advertising.

Compounding the lack of hit toys is the tenuous status of some major toy makers. "You've got a lot of companies like Coleco and Worlds of Wonder who are in bankruptcy," says the vice president of marketing for the Association of Independent Television Stations (INTV), Ron Inman. "Until those companies get themselves out of Chapter 11 and reinvest in R&D for new toys,

they won't show a strong return."

Indie concern about eroding children's audiences prompted an INTV study on kids' viewing habits that was presented to the association's annual convention last January. Although the study's primary conclusion was that children still watch more broadcast TV than anything else, enough have migrated to cable and elsewhere to have hurt indie ratings. And the cable erosion is not limited to The Disney Channel and Nickleodeon. Other basic cable networks are also programming to children during time periods that indies traditionally devote to them.

Then there's the VCR. Although measuring the amount of VCR viewing by children has yet to be refined, it, too, rated a negative mention in the INTV study. Thom Neeson, general sales manager of indie WLVI in Boston, recognizes the problem only too well. His three-year-old daughter often asks him to bring movies home from the video store.

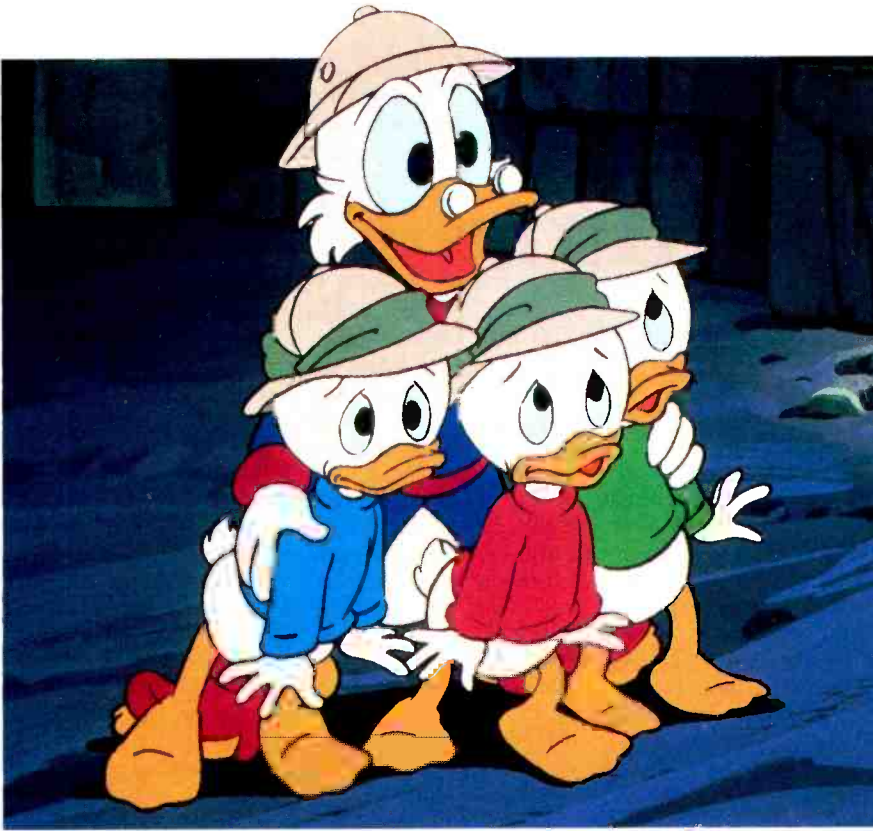
The people meter further complicates the picture for indies. Although independents have registered significant ratings gains over diary measurements in markets where the people meter has been introduced, children, it seems, are not the most reliable people-meter users. Ability is not the problem; payoff is. A recent study of kids' viewing habits by ad agency J. Walter Thompson found that not only could children operate microwave ovens, remote-control devices and VCRs, they could also operate the people meter. But when they use a micro-

KIDNAPPED BY CABLE

Comparison of children's viewing in households with and without cable.

	NON-CABLE	CABLE
Watched regular TV on previous weekday after school	88%	74%
Watched cable TV on previous weekday after school	4	70
Like watching regular TV a lot	53	50
Like watching cable TV a lot	10	59
Watched a VCR on previous weekday after school	30	30

Source: "The Dynamics of Children's Television Viewing" Study by the Association of Independent Television Stations.



wave, the result is something good to eat; when they operate a remote control or VCR, they get movies and TV programs. But there is no tangible reward for using a people meter. In interviews, children told researchers that using a people meter would be fun for a while, but that they would probably tire of it or forget to use it.

Since the INTV study was completed, the picture has only gotten worse for indies. Like television, the toy industry is a cyclical, hit-driven business. Both industries even make use of the term "halo effect," although to mean quite different things. In TV, it explains why more people say they watch PBS shows than ratings indicate actually do. In toyland, halo effect refers to the fact that when there's a lack of hot toys, ad agencies, retailers and the TV business suffer as well.

Here's the way WLVI's Neeson, describes the phenomena from the station point of view: "Hasbro, our number one account, was clipping along most of [1987] with an 8 percent increase in billings. When the last quarter came, they dropped to 18 percent *less* than the previous year, so we turned up 12 percent down for the year from our top account." That figure happens to be the same percentage WLVI's overall chil-

dren's TV billings have dropped during the past four years. "In 1984, our station's children's TV billings made up 32 percent of total business," says Neeson. "That dropped to 27 percent in 1986, and I project it'll be at 20 percent in 1989—and going down."

The present glut of barter shows has had a hand in bogging down those dollars. It rose with the arrival of He-Man, attracting stations because they paid no cash for the show and advertisers because spots in it were cheaper and less regulated than Saturday morning network ads. But the halo effect has taken its toll there as well, and kid-vid barter is in decline.

The impact of all this has forced local sales departments to be innovative in their approach to selling children's TV. KDSM in Des Moines, for example, has developed a program that ties in fast-food restaurants with ads for other local businesses, and has been running them during children's shows. Likewise, Neeson's sales crew at WLVI has been soliciting advertisers such as Reebok for its kids' shows. "In the short term, this is really hurting us," admits Neeson. "But this is better for us long term because it will make us less reliant on the toy and cereal racket. We won't have to depend as much on the

Buena Vista's *Duck Tales* is one of the few bright spots in children's television for independents.

fourth-quarter surge."

How long the halo lasts is anybody's guess. Wall Street toy analysts maintain the worst is over for toy makers. "Budgeters at the toy companies will go into '89 budget meetings with a tad more optimism," says Mabon, Nugent securities analyst Barry Rothberg. "The real slump year was 1987, so with lower expectations in '88, any sign of improvement will look good this year." Bohbot is more optimistic the business will boomerang back into black this year: "The forecast for 1989 is much better, because the video-game market should saturate, allowing other toys to get in on the market, and forcing the Nintendos out there to spend more on their advertising."

That will come as welcome news to indie owners, particularly those that are operating on a calendar financial year. Many of them rely on a surge in fourth-quarter children's billings to make up for mediocre children's business during the first three quarters. And because of the demand, they are able to charge four or five times what they would get in the other nine months of the year. If the fourth-quarter surge fails to materialize, then they find their projections for the entire year are wrong. "That's where the real problem is," says one sales manager. "Above and beyond the fact that the last three months of the year are critical, there's no margin for error to recover, from a corporate standpoint. On a fiscal-year basis, when your fourth quarter is your first, if you guessed wrong, you have nine months to try and make it up. It makes the pressure a little more tolerable."

Pressure or not, the fact is that kid vid is too important to many indies for them to turn their back on it. Says Des Moines' Ted Stephens, "Even though kids' advertisers aren't there like they used to be, we will never abandon kids' shows." And there is the occasional bright spot, even now. Buena Vista's half-hour series *Duck Tales* is a rare success story these days, still commanding strong ratings and good advertising rates. It has even spawned a spin-off featuring those ever-polite chipmunks Chip and Dale. Indie owners can only hope for more such shows. ●

Shifting Windows: An Indie Dilemma

Hollywood film packages are starting to show up on basic cable before they do on independent television. What's a broadcaster to do? **BY ROBERT MARICH**

In 1966, ABC Television's telecast of *The Bridge on the River Kwai* electrified the network-television business when a mind-boggling 60 million viewers—representing a 61 share of TV homes—tuned in.

Up to that time, the networks scheduled Hollywood movies sparingly. But the ratings success of the Oscar-winning World War II drama opened a floodgate, and the Big Three began to pay princely fees for recently produced major films.

Now a quarter century later, advertiser-supported basic cable networks are probing whether costly theatricals can lift their audiences too.

And independent television stations—whose program purchases are the backbone of the \$2.5 billion syndication market—are worried. They are irked by Hollywood's willingness to sell some of its films to advertiser-supported cable networks *in advance* of independent television stations. Stations, which in aggregate pay more for a film than basic cable, don't like the idea of standing in line behind a smaller customer. They also worry that basic cable expo-

sure will diminish a film's value.

A case in point is *Short Circuit*, the 1986 Tri-Star Pictures comedy that was a surprise hit. USA Network currently holds telecast rights to *Short Circuit* until April, after which the film will make its syndication debut via TV stations. In the past, the syndication window usually came first.

Broadcasters are none too pleased: "We have to band together with what little bit of clout that we do have left to ensure that this does not set a precedent," says Kevin O'Brien, executive v.p. of Cox Communications' independent station group. "Any broadcasters who have purchased [films available to basic cable prior to syndication] have done a terrible disservice to themselves and to the broadcasting industry. It is short-sighted." "Anyone who wants to license us syndicated films that have had basic-cable exposure is looking at a lot fewer dollars for those films, if they get any deal at all," says Marty Brantley, president and g.m. of KPTV, the Chris Craft/United-owned independent in Portland, Ore.

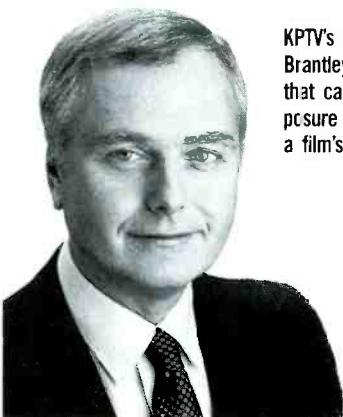
The lightning rod for broadcasters' discontent has been TeleVentures'

Pegasus I movie package of 20 theatrical films offered in syndication in the spring of '88. But prior to the syndication offering, TeleVentures, the program-syndication concern owned by Columbia Pictures Entertainment and two independent producers, licensed 11 films from the package (including *Short Circuit*) to USA Network. "We estimated what the damage would be from that cable window—those movies get dog-eared from exposure—and scaled down our offer to take that exposure into consideration," says Charlie Edwards, g.m. of Gaylord-owned independent KTVT, which bought Pegasus in the Dallas-Ft. Worth market. Edwards insists he will not buy movies with earlier basic-cable windows in the future, no matter what the price.

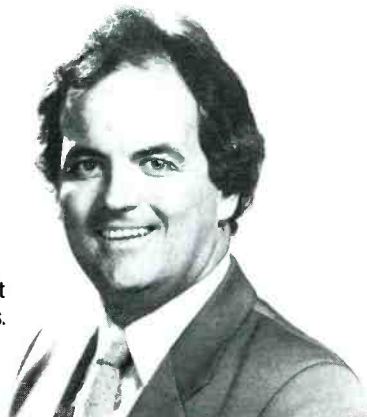
Unlike several off-network series that went to basic cable because of weak response in syndication, the Pegasus films sold briskly to stations. By mid-November last year, 113 had licensed the package in syndication.

In addition to TeleVentures, Paramount Pictures, Warner Bros., New World Entertainment, Samuel Goldwyn Co., Lorimar Telepictures Corp., Fries Entertainment and ITC Entertainment have all licensed theatrical or made-for-TV movies to basic cable prior to syndication's window. The primary buyers are USA Network and Lifetime. Deals typically involve made-fors or theatricals that fell short of hit status at the box office, such as Warner Bros.' *Rollover*. Because basic cable often picks up just one or a handful of films at a time, most of these transactions receive scant attention.

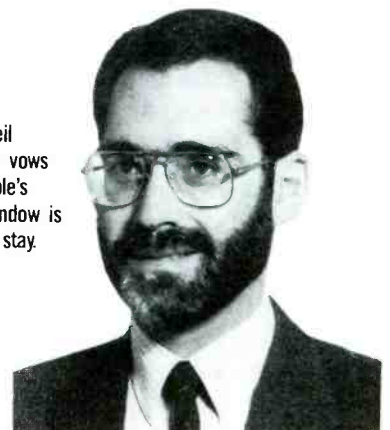
But basic cable views the trend as one that will only grow. "It is USA's intention to continue doing deals such as we have done with the TeleVentures



KPTV's Marty Brantley warns that cable exposure lowers a film's value.



Cox's Kevin O'Brien urges indies to band together to halt earlier windows.



USA's Neil Hoffman vows that cable's early window is here to stay.



Sore point: Tri-Star's 1986 comedy *Short Circuit* (left) was one of 11 films that TeleVentures sold to USA Network before syndicating it to indies. Some broadcasters say they won't buy such films in the future.

package," vows USA programming v.p. Neil Hoffman. "This is a window that is here to stay," he says. "We want to get movies as early as possible. That means, down the road, being competitive even with pay TV."

In the 30 years that Hollywood has been licensing its movies to television, the film industry's only loyalty has been to the highest bidder. When pay television and home video came along with more money for films, Hollywood pushed back the window for network television to accommodate newcomers.

If indeed money talks, basic cable then seems destined to elbow ahead of broadcasters for more and more of Hollywood's best programming. The basic cable medium is in the midst of explosive growth that is fattening its checkbook for programming acquisitions.

While basic cable spent only \$255 million on programming in 1983, according to Paul Kagan Associates, that figure grew to \$737 million in 1988. That compares with broadcast stations' \$1.5 billion in cash outlays for syndicated shows, plus another \$1 billion in the form of national commercials in syndicated programs, the so-called barter value. While broadcast-station syndication holds the high ground in purchasing clout right now, basic cable's growth is expected to rapidly narrow the gap. Expenditures will leap 17 percent in 1989 and continue to advance at a double-digit pace through the 1990s, doubling syndication's gains, says Lar-

ry Gerbrandt, senior analyst at Kagan.

By 1997, Kagan projects basic cable's program expenditures will match the current size of the syndication market, which if that comes to pass, means basic cable's program budgets will soar.

While basic cable's ascending growth curve explains much of its sudden emergence, Hollywood also is receptive to this new buyer because of troubles in the syndication market. For so-called B-title films that received broad theatrical release but fared poorly at the box office, Hollywood reaps only \$300,000 to \$500,000 per film today from TV stations, according to industry sources, compared with \$600,000 to \$800,000 a few years ago—"That is, if you can sell them at all," a syndication executive at a major studio says ruefully.

Films lacking well known stars or broad theatrical exposure, as well as made-for-TV movies—the C-class titles—are in even more dire straits in syndication. The softness for B- and C-caliber syndicated movies can be traced to the shaky financial state of some independent stations and to Fox Broadcasting, whose regular series programming has eliminated two movie nights on stations that are among the nation's strongest independents.

With the depressed syndication market making TeleVentures amenable, USA Network negotiated the pre-syndication windows for the 11 A- and

B-title Pegasus films, paying a premium-price \$250,000 per title, sources say. (Typically, basic programmers pay less than \$150,000 per title for post-syndication windows.)

Because stations continue to pay top dollar for first-tier product, Hollywood heretofore has not been inclined to license A-class titles to basic cable first for fear of undermining lucrative syndication sales. The A-caliber theatricals fetch a lucrative \$1.75 million per title.

Hollywood, in courting the investment community, holds out the vision that basic cable represents a tidal wave of revenue that will not diminish the cash flowing from other markets such as syndication. However, Hollywood is careful to keep that message out of earshot of TV stations.

One of the appeals of basic cable to Hollywood is its willingness to license programs for shorter periods than stations. Says Jeffrey Logsdon, analyst at Crowell, Weedon & Co., a Los Angeles securities concern, "After one or two years [in basic cable], they feel they can take the same programming to the syndication market, [whose slump] may have improved by then," he said.

TeleVentures' part owner Columbia Pictures Entertainment startled stock analysts during a closed presentation in October with the extent of its plans for basic cable. Columbia believes that it has "an extensive enough library to provide programming for its own basic cable network, which would be a totally

new venture," says one analyst who attended the presentation. "Their idea is to start up the channel, probably in partnership with someone else."

The obstacles are formidable, particularly in getting cable operators to carry a new basic cable network, so Columbia ultimately may be forced to abandon the project. But the episode indicates the sky seems to be the limit in Hollywood's thinking these days.

Columbia executives declined to discuss the company's strategy for basic cable. Columbia's owning its own basic network would follow the lead of the parent companies of Paramount Pictures and MCA Television, which jointly own USA, an established basic service available in 46 million homes.

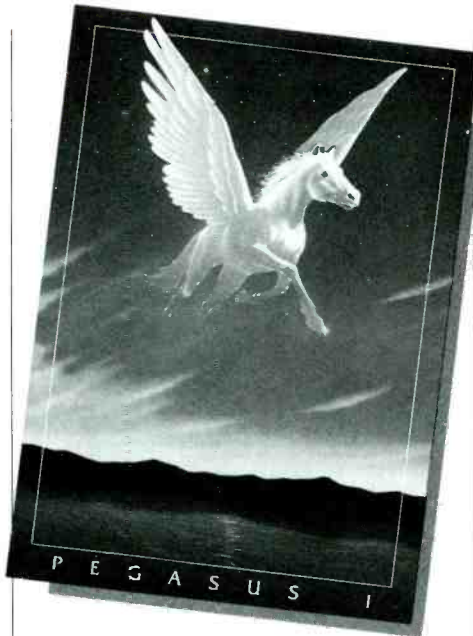
In addition to its swelling checkbook, basic cable's attraction for Hollywood is that it is simpler and less expensive to sell to than syndication. Deals are cut with just one buyer at a network, while in syndication, program distributors dicker with a multitude of stations in scattered cities, thus shouldering the cost of putting an entire sales force on the road.

And residuals are less onerous in basic cable than in syndication. Lisbeth Barron, analyst and vice president at investment banking firm McKinley Allsopp Inc., estimates that on average, basic cable's more favorable residual structure raises Hollywood's profit margins 20 percent, when compared to syndication. But syndication still offers more overall dollars.

These days, it has become fashionable among broadcasters to bash the very idea of licensing anything with an earlier basic cable window.

Sounding a call-to-arms to the industry is Preston Padden, the president of the Association of Independent Television Stations (INTV), who is scheduled to moderate a panel discussion on the subject at the convention of the National Association of Television Program Executives (NATPE) later this month in Houston. The name of the panel clearly describes INTV's viewpoint: "Independent Stations to Distributors: We Don't Do Windows."

"In cable homes, the consumer often doesn't differentiate between local independent stations and basic-cable networks," as they flip through channels, says Padden. He and his constituency worry that earlier basic-cable telecasts of syndicated films may reduce broad-



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The lightning rod for
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.....

cast audience levels. Such exposure may also make it difficult to extract top dollar from advertisers, who presumably would have been offered commercials in the same films by basic cable networks and individual cable-systems operators selling local commercials.

But the alarm is far from universal among broadcasters. Television stations that bought Pegasus, besides saying they lowered bids to compensate for the earlier USA Network window, said the Pegasus films were attractive because they had less pay TV and network exposure than most other film packages. "We are not ideologues," says Steve Bell, v.p. and g.m. of KTLA, the Tribune Co. indie in Los Angeles that licensed Pegasus.

Lee Isgur, entertainment analyst with PaineWebber, believes the broadcasters' fuss will eventually blow over.

"A few years ago in pay cable, if a film distributor signed an exclusive deal for films with Showtime, then HBO wouldn't take them," he explained. "That was the case for a while. But less and less of the exclusives happen now. It's the same thing in syndication."

Indeed, rival TV media butt heads constantly, sometimes to the delight of independent stations. Four years ago, all three broadcast networks aggressively lobbied their affiliate stations to reject barter-syndicated programming. "We're suggesting that if affiliates think in a larger sense, isn't it interesting that a network affiliate is getting involved in a system that really supports independent TV stations," Tony Malara, CBS Television's chief of affiliate relations, told a reporter at the 1984 NATPE convention. "The independent TV stations are our biggest competitors." The drive failed miserably because the network-owned stations continued to license a number of barter programs, setting a poor example for affiliates.

Of course, independent stations have been pinched, too. The license periods for syndicated movie packages typically run three or four years—instead of the five to seven years common several years ago—so Hollywood can get films back from the syndication market for resale to other media.

For broadcasters, the most pertinent question is not how much previous exposure a film has had, but rather will it continue to attract large audiences?

Some films seem never to be exhausted. *Dirty Harry*, the 1971 Warner Bros. action drama, garnered respectable ratings in each of five runs on network. The most recent, in July, 1988, came *after* being shown repeatedly by independents in syndication.

"As we go into the 1990s, the lines between various media are going to blur slowly but surely," predicts Raymond Katz, research analyst at New York securities firm Mabon Nugent & Co. "You already are starting to see this with, for instance, *It's Garry Shandling's Show* going from pay cable to, if you will, first-run syndication" on Fox Broadcasting.

In other words, the chain of program exhibition in television as we know it today is chisled in sand. ●

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Los Angeles-based free-lancer Robert Marich writes about business topics in communications and entertainment.

Finding Gold in Your Hometown

Stations' future revenue growth appears unlikely to come from national business, and indies excel at finding the money locally.

BY JOE MANDESE

Using a network affiliation would normally be an unsettling experience for a station sales manager, but Jay Oliver sees it as a timely, if ironic, opportunity. After nine years of selling the virtues of the CBS Television Network, the general sales manager of WTVX-TV in West Palm Beach, Fla., this month switches to an independent outlook because of CBS's acquisition of another station in the market. While WTVX management had little to say about this shift, Oliver says it couldn't have happened at a better time in terms of the station's sales and marketing priorities. Although the shift to independent status surely will have a negative impact on WTVX's national spot rate card, Oliver, like most sales managers around the country these days, believes future revenue growth will come not from national business but from his own back yard. And that, he says, is an area where independents generally excel.

"Being an affiliate, you lose track of what advertising is all about, and that's the ability to move merchandise at the store," explains Oliver. "Most affiliates have grown too dependent on national business from ad agencies, and they don't really know how to sell anymore."

Fortunately for WTVX, Oliver had years of local radio sales experience before joining WTVX in 1979. He says he was unable to make much use of it because of the tremendous inventory restrictions of a network affiliate. Most of the few ad availabilities the station had during network programming were quickly absorbed by national spot advertisers. But with demand for spot

softening, even major network affiliates are looking more closely at ways of developing their local markets.

The consensus, nevertheless, is that indies are in a better position to exploit this trend, because they generally have closer relationships with local clients. "There is definitely an advantage to being an independent, but it is not great," says John Friend, general sales manager of WTAT, a Charleston, S.C., indie. "It's just a matter of what stations in which markets have the desire to go out and do this."

While the "independent advantage" varies by market—affiliates in smaller markets, with smaller shares of national spot dollars, are often as aggressive at developing local sales as indies in big markets—independent stations generally have two key advantages over affiliates in developing local clients: fewer restrictions in scheduling and a

greater share of advertising and promotional avails in key dayparts.

"The real independent advantage is the flexibility in terms of what we can do with our schedule," says Sandy Martin, marketing/research director of indie KSHB in Kansas City, Mo.

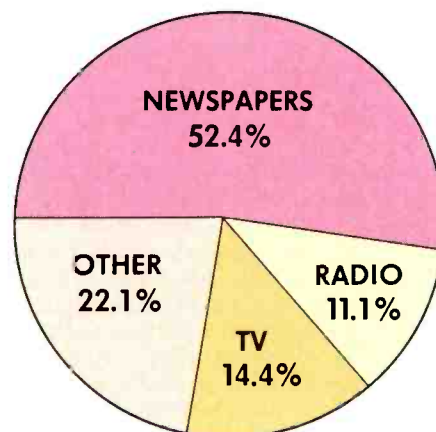
"Affiliates have to drive most of their local promotions through a local, half-hour news window, but we have the flexibility to use our entire schedule." Martin cites a localized, commercial-length version of Fox's *America's Most Wanted*, called *Kansas City's Most Wanted*. By running the series of 30- and 60-second promotional spots throughout its schedule, KSHB hits more local viewers than competing affiliates could during news windows.

Smaller affiliates, too, which often miss the cutoff for national spot dollars, can be more innovative in developing local dollars. KFDM-TV, the CBS affiliate in Beaumont, Texas, felt the need to develop its local base when a waning oil economy began to soften Southwestern markets during the early '80s. When station managers met Rix Garey, the manager of KFDM's largest retail client—the Beaumont outlet of Palais Royal, a Houston-based specialty retailer—he told them they weren't selling locally "because you're not communicating. You come in and talk HUTs, PUTs and gross rating points, and I don't know what the hell you're talking about. I'm trying to sell shirts, ties, pants and suits, but no TV station has ever said they can show me how I can increase my sales of men's sportswear by 20 percent."

So, KFDM's managers did the only sensible thing they could. They hired Garey as their first director of retail development. Garey, now general sales manager of the station, surely wasn't the first such specialist when he was hired eight years ago, and he is definitely not the last, but his story is an important one, because while stations in the rest of the country were still riding high on double-digit national spot increases during the early '80s, stations in smaller markets like Beaumont—ranked 122 in the ADI listings—had to learn the retailer's language so they could develop hometown business. But now, as the national spot marketplace flattens, even those stations in major markets are mak-

WHO GETS LOCAL AD DOLLARS?

Share of local advertising revenue by medium, 1988.



Source: McCann-Erickson estimates.

ing quick studies of the retail business in an effort to hold more sway over local revenues.

As an NBC affiliate, KRON-TV in San Francisco probably couldn't be in a better national spot sales situation. Seeing the writing on the wall, however, KRON created a retail-development unit in March 1988 that generated about \$500,000 in new-to-TV business in its first eight months, through a combination of customized research, special promotions and more aggressive development of co-op and vendor funds. "These are things that have been part and parcel of the everyday activities of stations in smaller markets," explains Jay Sondheim, director of new business development. "What's happening now is big stations are getting into the act."

And with good reason. National spot revenues, according to the Television Bureau of Advertising, are projected to increase only 3 to 5 percent in 1989, and local should rise 5 to 7 percent. While that local figure is a far cry from the double-digit increases of recent times, sales managers say they have greater control over the local pie than they do the national. Moreover, while TV represents about half of all national ad spending, the local ad scene remains relatively untapped by TV.

According to McCann-Erickson's U.S. media estimates, TV will command only 14.4 percent of the \$52.47 billion spent on local advertising in 1988, compared with 52.4 percent for newspapers, 11.1 percent for radio and 22.1 percent for "other local expenditures." TV, however, is projected to post the greatest gain, rising 10 percent in local revenues, compared with 6 percent for newspapers, 7 percent for radio and 8 percent for "other."

While it still is too early to tell whether the accelerated local marketing efforts of stations will alter these shares, those that have begun new retail-development programs report some initial success. "We're just getting started, but the potential is tremendous," explains Harry Pappas, president and chief executive officer of Pappas Telecasting Co., Visalia, Calif. Since restructuring the marketing departments of two of his three indie stations to include separate retail-development departments, Pappas says their local share has increased dramatically. KPTM-TV in Omaha,



Rix Garey, a KDFM advertiser, was hired because he could speak retail.



Harry Pappas started retail development at his stations and increased share.

Neb., for instance, now bills more local dollars than national, with retail accounting for 12 to 14 percent of total revenues, according to Pappas. He projects that retail will represent 20 to 25 percent of total revenues for his three stations by 1990.

Other similar success stories are emerging from small and large markets alike as new retail-development groups begin nipping at the big retail budgets of newspapers, direct mail and retail trade and consumer promotions.

Newspapers, the fattest retail medium and most obvious target, are being assaulted on several fronts, but the primary action is coming in the form of new research that demonstrates the value of TV advertising to retailers, and in their own terminology. Instead of talking about reach and frequency and GRPs, stations are using a variety of research sources that identify the demographic, psychographic, product-purchasing and media-usage habits of the retailer's key customer segments. Some of this data comes from non-proprietary, syndicated sources like Birch/Scarborough and Impact Resources. Other stations are paying hefty fees (as much as \$100,000 per station) to contract exclusive surveys of their markets by such firms as Leigh Stowell & Co. and Marshall Marketing & Communications, studies that bypass broadcast jargon and distill the audience into values retailers can un-

derstand and act on.

This latter research approach also provides advertisers with data that has nothing to do with the station but serves as an inducement for the retailer to work as a "marketing partner" with the station's sales team. The retailer may learn, for instance, about consumer attitudes toward certain departments or merchandise in his store, or about other issues, such as service in the checkout lanes. It's the kind of data that newspapers have provided clients for years, according to Stowell & Co. principal Leigh Stowell.

It's no accident that newspapers get all the money they do," notes Stowell. "In almost any market that we have a client, we are usually up against well documented research showing the strength of newspapers."

To date, such research services have been used primarily by affiliates, because the annual surveys involved are better suited for tracking the performance of stations with stable program lineups. Of the 58 stations that use Leigh Stowell's service, for instance, only three are independents, and two of those are Fox-owned stations with relatively stable lineups. The good news for indies, however, is that these marketing studies generally bring new TV dollars to the market.

Nationally, the TvB has begun working with Impact Resources' data base to use information that is similar to Stowell's market-specific data to target national and regional retail chains.

"We are using Impact Resources because it isn't TV data," explains TvB senior vice president for retail marketing Wallace Westphal. "It is retail data. It is the research that retailers buy themselves."

While the real payoff from this data will be a long-term correction of retailers' perceptions of TV as a local marketing tool, Westphal claims it has already assisted in some big shifts. In-depth analysis of this data, for instance, contributed to a remarkable shift in promotional strategies at retail giant K mart, which used it as one reason for cutting its newspaper-insert budget and shifting more than \$40 million into other media, especially TV. Despite initial successes such as K mart, Westphal says the use of retail data will have a gradual but steady effect on retailers' perceptions of TV. To illustrate how effective such informa-

tion can be, he cites research on Saks Fifth Avenue customers. Westphal says one would expect Saks customers to pick an upscale store such as Bloomingdale's as their first choice in a Manhattan department store. Westphal, however, was surprised to learn that Macy's ranked first. "The customer is saying, 'While I love Saks, my first choice in department stores is Macy's,'" says Westphal. "So, I asked myself what in God's name is Saks doing to compete with Macy's, and the answer was nothing when it comes to TV." Saks does not advertise on TV; Macy's does.

Independent of TvB's efforts, stations are adapting the retail marketing tools used by the newspaper industry to win a greater share of retail business. KFDM director of sales and market development David Hornack in Beaumont accidentally stumbled upon one such tool while conducting a seminar on TV sales at one of the 29 newspapers owned by parent Freedom Newspapers.

"I felt I might as well learn something about newspapers," says Hornack, recalling how he spotted one of the paper's salespersons accessing co-op data via computer. Hornack learned the rep was tapping into a data base called ReCAS, operated by Multi-Ad Services, Peoria, Ill., which provides co-op advertising planners for newspapers.

Unlike other co-op accrual data bases, Hornack learned that ReCAS not only identifies retailers with unused co-op funds but makes accrual calls to the manufacturer and automatically provides clients with claim forms that they can bring to retailers for authorization. ReCAS has since designed a software package for broadcasters and is developing refinements that would automatically provide commercial storyboards based on manufacturers' specifications via the computer. Multi-AD hopes to develop commercial production kits that contain videotape and slide material from manufacturers, from which local spots could be produced.

While other co-op data services like Jefferson Pilot's Cooportunities and Co-op Net's Co-op Pro provide comparable services, the costs can be incomparable. Such services can cost a station as much as \$40,000 annually, but

ReCAS costs only \$325 a month regardless of usage and the amount of revenue it generates. The system brought in \$180,000 in new money for KFDM in its first eight months, and Hornack projects it will generate about \$300,000 annually, the equivalent of an average month's local billings.

While these tools have proven successful at tapping retail co-op dollars that might normally go to newspapers, stations are developing other means to compete directly for retail dollars ear-

tion more than doubled the 2 percent national coupon redemption rate.

Other stations, meanwhile, have targeted another source of local newspaper revenues. "We're going after newspaper classifieds," explains Joseph Koff, general sales manager of West Palm Beach, Fla., indie WFLX. Every Saturday from 10 A.M. to noon, the station airs Mustang Theater, a fully sponsored promotion created for the local Ford car dealership that features two-minute TV "classified" ads showing 56 different used cars on the dealer's lot. The promotion sold about 30 cars the first weekend it aired. "These are totally new television dollars," says Koff.

Even before WTVX officially became an indie, sales manager Oliver began marketing a similar concept to local advertisers to compete with WFLX. Unlike WFLX's taped "classified" spots, however, WTVX is bringing the power of its resources as a network affiliate to turn the promotion into a live television event. "We're taking the satellite-remote news truck, which previously was used for the most dignified network news events, and we're going to send it out like

a radio station does with remotes and we're going to do a live, three-minute commercial from the dealership," he says. Oliver adds that the station is able to offer this customized promotion only since it became an indie, because of the flexibility of its inventory. "There's no way that we could have done this as an affiliate," he says.

Some affiliates that covet the greater number of avails and increased flexibility of indies are beginning to strike back. Ellen Bramson, general sales manager of Detroit indie WKBD, says that soon after her station launched a "classified" promotion around its prime time movies in 1986, two of three local affiliates began preempting network fare in favor of locally sponsored prime time movies. "I think they've discovered that we have been very successful with promotions like these," says Bramson. "They're waking up to the fact that there's a lot of local business out there to develop." ●

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Joe Mandese is a senior editor of Marketing & Media Decisions.



Florida indie WFLX runs Mustang Theater—"classified" video car ads.

marked for newspaper inserts and direct-mail promotions.

For the cost of a direct-mail campaign, for instance, the five Freedom Newspapers stations not only provide new advertisers with TV time but also hand-deliver a "bargain bag" containing the client's coupons to every household in the market. "In essence they buy the advertising schedule on the station, and the bargain bag is free," says senior vice president Gary Chapman. When tested in Beaumont, the group's worst market, Chapman says the program generated a 5 to 1 return.

"Basically, this was a way to get advertisers who are using direct mail or newspaper inserts to convert their dollars into television," notes KFDM's Garey, adding that about 75 percent of the business it generated came from new clients. Existing clients have to spend about 50 percent above current commitments to qualify.

Because the stations promote the "bargain bag" heavily for two weeks preceding the coupon drop and for one week following it, Garey says his sta-

Indie Insights

THE ENJOYMENT FACTOR

What Stations or Networks Do Americans Particularly Like?

	TOTAL MENTION	SEX		AGE					INCOME	
		MALE	FEMALE	18-24	25-34	35-49	50-64	65+	\$30,000 OR LESS	MORE THAN \$30,000
NBC	26.9	22.9	30.6	28.8	22.6	26.8	23.0	30.3	32.2	22.6
ABC	26.5	23.4	29.4	27.4	27.4	22.3	31.7	29.0	25.8	24.4
CBS	25.2	19.6	30.2	16.4	22.6	22.3	29.3	36.8	28.8	18.5
Public TV - PBS	14.5	15.4	13.6	9.6	15.1	17.9	15.9	11.8	12.0	19.6
Independent Stations	7.1	5.6	8.5	8.2	6.6	8.9	6.1	5.3	10.3	2.4
HBO	6.9	9.8	4.3	12.3	8.5	8.0	3.7	1.3	5.2	8.3
ESPN	5.3	10.3	.9	6.8	10.4	4.5	3.7	.0	3.4	8.3
CNN	4.9	5.6	4.3	1.4	5.7	4.5	6.1	8.8	4.7	5.4
The Discovery Channel	3.1	4.2	2.1	1.4	1.9	3.6	2.4	6.6	2.1	4.2
WTBS - The SuperStation	2.9	3.3	2.6	5.5	2.8	2.7	1.2	2.6	2.1	2.4
Cinemax	2.2	4.2	.4	4.1	1.9	2.7	2.4	.0	2.1	3.0
Nashville Network	2.2	.9	3.4	.0	.9	.0	2.4	9.2	3.0	.6
CBN	1.3	.5	2.1	1.4	1.9	1.8	.0	1.3	1.3	1.2
Showtime	1.3	1.9	.9	1.4	1.9	1.8	1.2	.0	.4	3.0
Fox	1.1	1.4	.9	2.7	.9	1.8	.0	.0	1.7	.6
WGN	.9	.9	.9	1.4	.9	.0	1.2	1.3	.4	1.8
CNN Headline News	.9	1.9	.0	.0	.9	.9	1.2	1.3	.9	1.2
Nickelodeon	.7	.5	.9	2.7	.0	.9	.0	.0	.4	1.2
The Weather Channel	.7	.9	.4	.0	.0	.0	2.4	1.3	.4	1.2
Lifetime	.4	.0	.9	.0	1.9	.0	.0	.0	.0	1.2
MTV	.4	.5	.4	1.4	.9	.0	.0	.0	.4	.6
The Disney Channel	.4	.5	.4	1.4	.0	.9	.0	.0	.0	.6
USA Network	.4	.9	.0	.8	.9	.9	.0	.0	.4	.6
Home Shopping Network	.4	.0	.9	.0	.0	.9	.0	1.3	.4	.6
VH-1	.4	.5	.4	.0	1.9	.0	.0	.0	.4	.6
Country Music Television	.2	.0	.4	.0	.0	.9	.0	.0	.0	.6
Arts and Entertainment Network	.2	.5	.0	.0	.0	.0	1.2	.0	.0	.6
C-SPAN	.2	.5	.0	.0	.9	.0	.0	.0	.4	.6
Other	2.0	2.3	1.7	2.7	2.8	2.7	1.2	.0	N/A	N/A
DK/NA	2.0	.9	3.0	1.4	1.9	1.8	2.4	2.6	N/A	N/A

Source: Frank N. Magid Associates, for Channels.

Sage Advice

As a broadcast owner since 1956, Milton Maltz knows a few things about operating an independent television station. His company, Malrite Communications Group Inc., owns ten radio and five TV stations. At the last NAB convention, Maltz lectured indie owners on the importance of cash management. Recently Channels asked Maltz to expand on that notion:

"Because you have a spread between the amortization of film product over a five-year life of programming, and you have, say, a three-year pay plan for that product, under general accounting principals a lot of accountants are giving their clients statements that reflect earnings based on accounting concepts but not on cash management. And they run into some very serious cash problems on a cash-flow basis. I really believe when you're private and you're

small, you would be better off to put a buck in front of your nose and follow the cash right down the line. If that had been the case, I suspect people like Media Central and maybe Milt Grant or TVX may not have run into some of the problems that they did. You're not going to pay your staff with the fifth run of *I Love Lucy*. When I went into my first radio station, I was so naive, I literally did my own personal cash management by doing the following: The bills came in one pile. The checks came in another pile. I had to add it up and see if there was a difference. Pretty primitive. But I didn't get into trouble. And using that philosophy, I have survived and grown a company. No matter what my statements look like, I go back to the cash flow. The bills. The income. That's basic. And I recommend it to all of my friends in broadcasting. Don't be mesmerized by the amortization numbers."

THE LONGEST REACH

Top Independent Broadcasters (by reach)¹

RANK / GROUP	% U.S. TV HOUSEHOLDS	UHF ² OR VHF	RANK / GROUP	% U.S. TV HOUSEHOLDS	UHF ² OR VHF
1. Silver King Broadcasting	22.26		WNOL New Orleans		U
WHSE Newark		U	WLFL Raleigh / Durham		U
KHSC Los Angeles		U	WMKW Memphis		U
WHES Chicago		U	KRRT San Antonio		U
WHSP Philadelphia		U	WTVZ Norfolk / Portsmouth / Newport News / Hampton		U
KPST San Francisco		U			
WHSB Boston		U	10. Gaylord Broadcasting	5.27	
KHSX Houston		U	KTVT Dallas / Ft. Worth		V
WQHS Cleveland		U	KHTV Houston		U
WHSW Baltimore		U	WUAB Cleveland		U
KHSP ³ Portland		U	KSTW Seattle / Tacoma		V
WHSI New York		U	WVTV Milwaukee		U
WHSE New York		U			
WYHS Miami		U	11. The Walt Disney Company	5.25	
WBHS Tampa		U	KHJ Los Angeles		V
WMOD ³ Melbourne, Fla.		U			
2. Fox Television	19.45		12. Combined Broadcasting Inc.	4.60	
WNYW New York		V	WGBS Philadelphia		U
KTTV Los Angeles		V	WFBS Miami		U
WFLD Chicago		U	WGBO Chicago		U
WFXT Boston		U			
KDAF Dallas / Ft. Worth		U	13. Harriscope Broadcasting	4.37	
WTTG Washington, D.C.		V	KWHY Los Angeles		U
KRIV Houston		U	WSNS Chicago		U
3. Tribune Broadcasting Co.	18.70		14. Cox Communications	3.98	
WPIX New York		V	KTVU San Francisco		V
KTLA Los Angeles		V	WKBD Detroit		U
WGN Chicago		V	KDNL St. Louis		U
WGNX Atlanta		U			
KWGN Denver		V	15. Trexar Corp.	3.87	
WGNO New Orleans		U	WLIQ New York		U
4. Trinity Broadcasting	11.78		16. ACT III Broadcasting	2.7	
WTBY New York		U	WVAH Charleston / Huntington, W. Va.		V
KTBN Los Angeles		U	WTAT Charleston, S.C.		U
KDTX Dallas / Ft. Worth		U	WRGT Dayton		U
WDLI Cleveland		U	WNRW Greensboro / Winston Salem / High Point		U
KTBW Seattle / Tacoma		U	WZTV Nashville		U
WHFT Miami		U	WRLH Richmond		U
KPAZ Phoenix		U			
WCLJ Indianapolis		U	17. Angeles Broadcasting Network	2.63	
KTBO Oklahoma City		U	KAGL Los Angeles		U
WKOI Dayton		U	Beindorf & Headley	2.63	
WLXI Greensboro / Winston Salem / High Point		U	KSCI Los Angeles		U
KNAT Albuquerque		U	Golden Orange Broadcasting	2.63	
5. Chris-Craft Industries / United Television	9.27		KDOC Los Angeles		U
KCOP Los Angeles		V	Riklis Enterprises	2.63	
KBHK San Francisco		U	KADY Los Angeles		U
KMSP Minneapolis / St. Paul		V			
KUTP Phoenix		U	18. Le Sea Broadcasting Corp.	2.62	
KPTV Portland		V	WHKE Chicago		U
6. Reliance Group Holding	9.23		WHMB Indianapolis		U
WNJU New York		U	KWHB Tulsa		U
KVEA Los Angeles		U	WHME South Bend / Elkhart		U
KSTS San Francisco		U	KWHE Honolulu, Hi.		U
KTMD Houston		U			
WSCV Miami		U	19. All-American TV Inc.	2.32	
WKAQ San Juan, P.R.		V	WWTO Chicago		U
7. Hallmark / First Chicago	8.94		WTJP Birmingham		U
WXTV New York		U	KDOR Tulsa		U
KMEX Los Angeles		U	KTAJ St. Joseph, Mo.		U
KDTV San Francisco		U			
WLTV Miami		U	20. Christian Television Network	2.17	
KWEX San Antonio		U	WCLF Tampa / St. Peterburgh		U
KFTV Fresno / Visalia		U	WTGL Orlando / Daytona Beach / Melbourne		U
8. MCA	7.74		WHTN Nashville		U
WWOR New York		V	WEJC Greensboro / Winston Salem / High Point		U
9. TVX Broadcast Group Inc.	6.19		WHBR Mobile / Pensacola		U
WTAF Philadelphia		U	WSWS Opelika, Ala.		U
KTXH Houston		U			
KTXA Dallas / Ft. Worth		U			
WDCA Washington, D.C.		U			
WCAY Nashville		U			

¹ Some groups listed here also own affiliate stations. ² Reach of UHF stations, per FCC regulations, has been discounted by 50 percent. ³ 45 percent owned by Blackstar Communications.
Sources: Morgan Stanley's Communications Industry Databook 1988, which used Arbitron Ratings-Television 1987-1988 Universe Estimates Summary and Broadcast Investment Analysts' Investing in Television 1988, Ownership File. Additional Channels research: Beth Sherman.

New Mexico Shoot-Out *by Richard Mahler*

Albuquerque attracted five new indies in eight years. Now survival is the challenge.

Eight years ago, the big guns of independent TV strode into Albuquerque with firearms blazing. Convinced they could outbid the market's established network affiliates in the syndication poker game, the newcomers soon saturated viewers with big-budget viewing choices.

But the three network affiliates, New Mexico's broadcast pioneers, unexpectedly upped the ante with free-wheeling frontier theatrics that drove two indies into bankruptcy and threaten the viability of those remaining.

Albuquerque, Arbitron's 56th-ranked ADI, is one of the nation's most sprawling markets, and home to 450,000 people. In practical terms, the ADI covers virtually all of New Mexico plus parts of Arizona and Colorado. The region's viewers support nearly \$50 million worth of local TV advertising annually, but with ten TV stations (five of which signed on during the 1980s) competing for attention, the broadcast environment is one of the nation's most competitive. Furthermore, the double-digit economic growth that had attracted outside television investors to Albuquerque has evaporated, cutting formerly hefty profit margins among affiliates and forcing indies into a defensive mode.

New Mexico has hardly been easy for the newcomers. Bungled management, absentee ownership and costly programming and promotion efforts have made survival especially difficult, and today only two of the five new stations appear commercially viable.

"It would be very tough for anyone to put another station on in this market and succeed," sighs Erick Steffens, g.m. of Mountain States Broadcasting-owned independent KGSW, a Fox affiliate. "The jury is still out on whether all those currently on the air will be able to make it in the long term."

Steffens' station ranks far behind Albuquerque's three network affiliates in prime time with its 4 rating and 8 share, but it's the number one independent. It gets twice the audience of the number two indie, KNMZ, a long-



foundering VHF station bought last year by Sunbelt Broadcasting Company, a Las Vegas investor group that owns three stations. KNMZ's ratings are even beaten by noncommercial PBS station KNME. After eight years, KGSW is reportedly barely profitable, and KNMZ has lost millions.

The shakeout began in April, 1985, as the plug was pulled on KNAT, a brash young UHF owned by Johnny Carson and a host of other television luminar-

ies, including David Letterman and Joan Rivers. KNAT, \$7 million to \$10 million in debt, was dark for several months before evangelical Trinity Broadcasting Network bought it and gave it new life as a religious station.

"KNAT was one of the most mismanaged stations I've ever seen," said one observer, "the perfect case study for Harvard Business School on how not to run a TV station." KNAT, for which Carson had asked \$14 million, sold to Trinity for about \$2 million, roughly \$1 million less than Carson's company paid for it in 1982.

Some speculate that Carson's group merely used KNAT as a tax write-off, banking on the goodwill of advertisers and program suppliers attracted by its celebrity owners, who ran it long-distance through consultants, lawyers and business managers.

KNMZ, based more than 60 miles north in Santa Fe, was in and out of bankruptcy before being sold last April to Sunbelt. The station has shelved a

ON-SCREEN IN ALBUQUERQUE

Market Rank: 56 (Arbitron) 1986 Net TV Revenues: \$48 million*
 Cable penetration: 50% 1987 Net TV Revenues: \$47.5 million*
 VCR penetration: 58% 1988 Projected Net TV Revenues: \$49.5 million*

STATION/ OWNER	PRIME TIME AVG. RATING / SHARE**	SIGN-ON TO SIGN-OFF AVG. RATING / SHARE
KGGM (CBS) New Mexico Broadcasting	6/15	4/16
KGSW (IND/FOX) Providence Journal	4/8	2/6
KNME (PBS) U.N.M./Alb. Pub. Schls.	2/5	1/4
KNMZ (IND) Sunbelt Broadcasting Co.	2/4	1/3
KOAT (ABC) Pulitzer Publishing	10/22	6/23
KOB (NBC) Hubbard Broadcasting	10/23	6/22

Albuquerque has three religious broadcasters. KAZQ (Alpha-Omega Broadcasting), KCHF (Son Broadcasting), KNAT (Trinity Broadcasting), and one Spanish-language broadcaster, KLUZ (Univision Holdings). None of the four meets Arbitron's minimum reporting criteria for published ratings.

* Revenue estimates provided by TvB and station estimates.
 ** Monday-Friday, 7-10 P.M. All ratings, cable and VCR information courtesy of Arbitron, July 1988.

marketing push while relocating to Albuquerque, limping along with a 1 rating and a 3 share, sign-on to sign-off as of last July.

KNMZ's previous owners "made a lot of mistakes," admits Buzz Floyd, who recently took over as general manager. "They spent a lot of money on programming without really having a plan, and the building they leased is the most inefficiently designed TV station space I've ever seen." KNMZ also reportedly spent huge amounts of time and money handling business generated 75 minutes away. "You have really got to market the hell out of your Albuquerque station," insists Petry v.p. Jack Fentress, whose company represents the market's NBC affiliate, KOB, owned by the St. Paul-based Hubbard Broadcasting Company.

Marketing costs became an important element in the indies' downward spiral, as the affiliates proved surprisingly willing to engage their new rivals in expensive promotion campaigns. The Albuquerque affiliates' response to the new stations was a retail-style promotional frenzy that culminated several years ago in a bizarre episode during which locally owned CBS-affiliate KGGM broadcast the winning numbers of a daily contest that KOB was running. KOAT, the Pulitzer Publishing Company-owned ABC affiliate, developed a separate high-stakes on-air game to hype its own newscasts. Tempers flared and lawsuits were filed, eventually to be dropped when a judge refused to grant KOB a permanent restraining order against KGGM. "KGGM would put our winning numbers up on their air as soon as we announced them, which of course defeated our whole purpose. It was crazy," recalls Jerry Danziger, KOB's general manager.

The sabotage was masterminded by Bruce Hebenstreit, KGGM's maverick owner who died in 1987. Hebenstreit also delighted in preempting prime time to show made-for-TV movies he financed, wrote, produced, directed and cast his grown children in. "I don't think my father really cared about ratings," recalls Andy Hebenstreit, who now presides over KGGM with his mother and sisters. "We're probably more bottom-line oriented now."

Among the affiliates, ABC's KOAT dominates the local news ratings, according to Arbitron's July 1988 measurements, although NBC's KOB is competitive in certain demos and CBS-affiliate KGGM has steadily closed the gap from a distant third. KOB capitalizes on NBC's success in prime time,

Albuquerque's Other Five

Rounding out Albuquerque's ten TV stations are three religious broadcasters who survive on viewer contributions, minimal local advertising and sale of time to syndicators of evangelical programming. There is one strong VHF PBS station, KNME. Univision bought UHF Spanish-language KLUZ in 1988 and made it an owned-and-operated station. Not one of these stations regularly delivers more than a 4 percent share of the audience, and only one, KLUZ, operates in the black. R.M.

followed by KOAT and KGGM.

But even the best ratings failed to assure revenue growth last season. The local ad market "was a little stagnant over the 1987-88 season," concedes indie KNMZ's general manager Buzz Floyd, confirming that total TV sales actually dipped in 1987 from the estimated \$48 million posted in 1986. But KOAT's Godsey points out that last year's dip came after five straight years of double-digit growth, which peaked at 23 percent in 1982.

"I expect the market's revenues grew by 5 to 8 percent in 1988," he says. "In the long term, the sky's the limit for this market," he adds, confident that the slow growth is only a momentary economic phase.

Slow economic growth along with higher program prices paid by the new indies changed the formerly stable market, recalls Petry's Fentress.

Certain high-cost programming strategies had been sure shots in the past, so investing in them made sense. But when the market changed, people had to become more cautious, he says.

Another rep familiar with the market, who asked not to be named, says new owners "expected there would be double-digit increases in revenue each year, and they paid \$1,000 or more an episode for shows that they should have paid only \$500 or \$600 for. The business changed, and people didn't realize it until it was too late."

Many believe program prices were pumped far beyond reasonable levels by Carson-owned KNAT's costly and unnecessary stockpiling of movie packages and off-net sitcoms. An unspoken gentlemen's agreement has evolved with the understanding that inflated prices hurt everyone. "That's why

ALF hasn't sold here," contends Danziger of KOB.

Since the other Albuquerque indies are virtually dismissed by the market-dominant affiliates (see sidebar), both KNMZ and KGSW have adopted survival strategies based on classic counterprogramming: seeking kids in morning and late afternoon, and running game shows, movies and network reruns at midday.

Localism helps, too. "The crux of our local identity is in University of New Mexico football and basketball," adds KGSW's Steffens. "A lot of our promotion is tied to our local play-by-play."

Another new rule is that "each program must pay for itself," Steffens insists, vowing that the practice of sticking expensive shows on shelves is a thing of the past. "Promotion, too, is extremely important," Steffens says. KGSW markets its shows by giving away thousands of dollars worth of toys, trips and event tickets.

Rival indie KNMZ's general manager Floyd, reflecting on the troubled Santa Fe-based station he took over, says, "I would say that 99 percent of this station's problems stem from the fact that it hasn't been under one roof in the same place where most of its local advertising dollars are. Our first priority is our new Albuquerque facilities. We're trying to learn about the market while keeping our programming cost-effective."

Floyd is bullish about his station's prospects, however, pointing with pride to his past success in taking Las Vegas' deteriorated KVBC, where he was general manager, "from number five in a four-station market" to number one within six years. "We're optimistic, or we wouldn't have bought KNMZ. A VHF independent on channel 2 has a lot of potential. Unless we shoot ourselves in the foot, we're gonna make a go of it."

But Albuquerque isn't Las Vegas, 32-year market veteran Danziger of KOB points out. Without mentioning names, he complains that "there are a lot of people in the business now who really aren't broadcasters. They're bottom-line people, financial whiz kids and junk-bond specialists who want to cut staffs, get bottom lines up, turn around and sell their stations."

Old-timers say you can't survive in Albuquerque if you act like fast-buck artists. At least for now, the market's absentee owners are observing that rule. ●

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Richard Mahler is a free-lance writer based in Santa Fe.

TALK SHOW

Pushing Network TV to the Limit

From a forum of comedy writers in the November 1988 Harper's, featuring Pamela Eells, Maxine Lapiduss, Sally Lapiduss, Karl Schaefer, Donald Toad and Harper's senior editor, Jack Hitt.

HITT: What about standards and practices? ... If the networks came to you and said, "We want [a show] to be controversial—"

SCHAEFER: It depends on the hour ... There are story lines you can't do at 8 P.M. that you can do at 9 P.M.

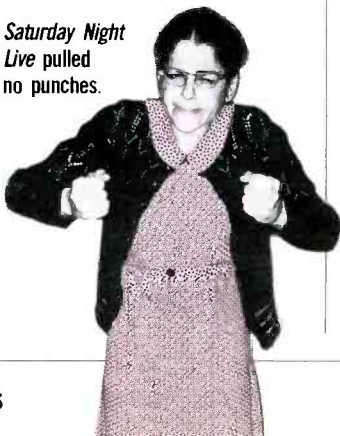
TODD: There's even a difference between 10 and 10:30 P.M. There are things you can do in the second half hour of *L.A. Law* that you can't do in the first half.

HITT: For example?

M. LAPIDUSS: Once on *L.A. Law*, a woman appeared wearing a tight leather dress. There was some line about "bush." At that same moment she stood up and walked—with her crotch in center frame—right at the camera. The whole time you saw Becker eyeing her up and down. When I saw that, my mouth just hung open.

EELLS: What you can do depends on the show, too.

Saturday Night Live pulled no punches.



L.A. Law, with its respected producer, rubs up against bad taste.

For example, *Hill Street Blues*, *St. Elsewhere* and *L.A. Law* can get away with more because the networks trust the taste of the producer ...

HITT: Do you go in and say, "Look, I really want this scene. The character's going to say 'bush,' and I want this particular camera shot."

TODD: No, you don't do it like that. You put the scene in, and you wait for them to catch it ...

S. LAPIDUSS: You hear stories about writers who really want to get in one controversial bit of dialogue, so they put in five bits that they don't mind losing ...

HITT: Someone told me that one of the networks ran a movie recently and deliberately included the word "shit" to see how much mail they would get.

SCHAEFER: PBS does it all the time.

HITT: Isn't that one of the reasons the networks seem willing to go further—precisely, because cable and public television are putting them to the test?

TODD: Definitely.

SCHAEFER: Standards are loosening. The networks

have cut back—in some cases eliminated—departments of broadcast standards and practices.

M. LAPIDUSS: There's also a certain momentum with some words. I remember the first time I heard the word "bitch" on TV. John Belushi said it on *Saturday Night Live*. I was floored, but then, suddenly, at 10:30 every night, someone on some channel would say "bitch." ...

TODD: Didn't you try to put the word "vagina" in a script?

M. LAPIDUSS: ... It was a takeoff on the *Reader's Digest* series that had articles like "I Am Joe's Spleen."

EELLS: One of our characters said, "I've just written an article for *Reader's Digest* entitled, 'I Am Jane's Vagina: If These Walls Could Talk.'"

TODD: Is the point of writing television sitcoms just to see how far you can go?

SCHAEFER: Sure.

“It's strange that in television's world of illicit love affairs, under-the-cover romps, bikini-clad pitch people, rock videos choreographed with whips, chains and leather, lying politicians, overstated commercials, overpaid athletes, mediocre talents, hard sell and soft porn, we have had our commercials cancelled because we showed a housewife chopping a dead, plucked chicken.

—Matty Simmons, chairman of the board of *National Lampoon Inc.*, after MTV cancelled a *National Lampoon* spot”

Ex-President Blues

I've been on this side of the table for seven years now, and it's taken that much time for me to realize that I could do basically the same thing as a producer that I could do as network president. At NBC, for example, with the support of 7,200 people and experts in programming, research, marketing and government affairs, I brought to the American public such clas-

"When I was at the networks, scheduling decisions, with few exceptions, were mine—and whatever success I enjoyed was as much due to program placement as the merits of the individual show. Now my involvement by and large is a phone call, after the fact, like the one I got last spring: 'We've got good news and bad news. The good news is *Jake and the Fatman* is on the air. The



Freddie's Angels turned up the hormone volume.

sics as *Supertrain*. . . Now, as a producer and without the support system of an NBC, I've learned that it's still possible to come up with a beauty like *Thicke of the Night!*

"A dozen years ago, they wrote stories about me and Fonzie and *Charlie's Angels* and how we were all responsible for the high incidence of teenage zits. At NBC, they suspected that somehow I had something to do with the rise of the PLO. And now, seven years later, they are still writing stories about my life in the bunker at NBC—with a bit of *Matlock*, *Perry Mason* and *Heat of the Night* thrown in.

"But, let me hasten to add: there are also some very big differences being on this side of the table. . . .

bad news—it's against *Moonlighting*."

"I've also had the misfortune these past seven years to get other phone calls telling me that: My new cartoon series, *Mighty Orbots*, was scheduled against the *Smurfs* and *Muppet Babies*; that the *Love Report* would go daytime opposite *Price is Right* and *Wheel of Fortune*; that *Matlock* would be against *Who's the Boss?* and *Growing Pains*; and that this last season's *Perry Mason Movies* would be scheduled against *Mistress* with Victoria Principal, *The Mayflower Madam* and the Olympics."

—Fred Silverman, former NBC president, expounds on life as an independent producer, at a recent ATAS luncheon.

“Tests over the years have shown that food and drink products taste better to people when they are identified as brands they know and relate to. . . . Adding values which are not inherently in the product is not exploitative trickery. It is simply giving people more for their money—more pleasure, more enjoyment, more satisfaction—than they would otherwise get from unbranded, unadorned, anonymous physical products.

—Young & Rubicam Europe president Joseph E. DeDeo, extolling the virtues of advertising to a group of Soviet managers in Moscow. ”

Cosell: I Had to Stay

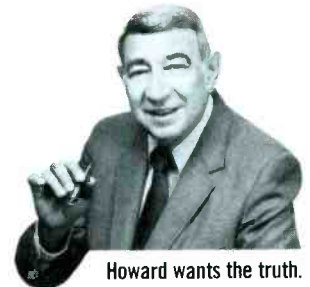
Sport is smack out of human life and it's out of whack in this country. It's true: There is an unending and unholy alliance between and among the sports operators on the one hand, the print media and the television networks on the other. And it is a disgrace.

"I don't want to have people tell me what the public wants and you give it to them regardless. I want people who'll tell me what's right in their opinion, and why. I want people who'll stand up for the truth. I want people who'll take a stand, who'll fight, who are not afraid, who are fearless.

" . . . Recently we saw a spokesman for CBS publicly announce to the press that 'Yes, damn it, we're partners with the National Football League, and everybody knows it. And why not?' Now [last fall's NFL strike] was on. Simple self-esteem and self-decency would dictate that there was a conflict of interest here and he should have immediately disqualified himself from any further appearances on the air during the strike.

"And I want to know why this wasn't written about. I want to know. But then what do I face? 'Well, hell, why were you with *Monday Night Football* for so long?'

"Why did I stay? Somebody had to be around to fight, to tell the truth, to take every risk, to go against your own company. That's why I stayed. That's



Howard wants the truth.

why I'm around today. Somebody still has to do it. Here in America, somebody has to fight for the public, whether the public wants it or not. Somebody's got to have that kind of guts."

—Howard Cosell, former ABC commentator, during a conference on "Media Economics and Sports Coverage" at the Gannett Center for Media Studies.

Gray Suits in Oz

by Neal Koch

Business-School turks turn creative, fueling the clash over Tinseltown's soul.

"There's got to be a business that's more businesslike than the business there's no business like."

—Arnold Peyser, veteran TV writer

If I only had a brain," runs the Scarecrow's refrain on his way to see the Wizard of Oz, who brings miracles to life in MGM's classic film. Indeed, few laments are heard more often in Hollywood these days than those lambasting the capriciousness that sometimes seems to govern the making of shows, films and careers. But, behind the scenes, the Young Turks out of business school—who first hit Hollywood several years ago, bent on imposing greater rationality on a business traditionally seen as undisciplined—are now moving into creative posts, fueling a clash over Hollywood's very soul.

So far, MBAs (those with masters degrees in business administration) have accumulated power at studios and networks through the corporate and business sides, a route of advancement displayed most recently at MGM itself. Last October, several Merrill Lynch investment bankers slid over to run Kirk Kerkorian's MGM/UA Communications Co. Jeffrey Barbakow, 44, became MGM's chairman, president and CEO, taking with him Kenin Spivak, 32, as an MGM executive v.p., and Trevor Fetter, 28, as a senior v.p. All three have MBAs. Other studios, most notably Disney and MCA, are heavy with Harvard MBAs.

Moreover, their influence is spreading. The length of last year's Writers Guild strike can be attributed in part to Charles Slocum, a Wharton MBA, who, a couple of years ago, stepped into the WGA's newly created post of director of industry analysis and primed the WGA's negotiators. "I don't think the producers expected the union to have its own information on the economics of the business or to have its own conceptions," says Slocum. "We moved the battleground back and argued over the premises."

UCLA's business school now has an entertainment-management program

that attracts 30 to 35 students a year. To many, the benefits are clear. For instance, at a convention last fall, entertainment-industry consultant Kenji Kitatani declared that the Japanese are more comfortable investing in the "new" Hollywood, run less by what they perceive as flashy show-biz types.

At the same time, less noticed—but just as significant—is a nascent movement by MBAs into creative posts in Hollywood. Consider Kerry McCluggage, MCA's president of Universal TV; Jim Korris, a movie producer who developed MCA's *The Street*; and Perry Simon, NBC's senior v.p. for series programs—Harvard MBAs, all.



Lost in Oz: "I have a feeling we're not at Harvard anymore, Toto."

But the closer MBAs get to creative posts, the less they advertise their credentials. "I resent coming to this town and being stereotyped," complains another Harvard alum. "The challenge is for the third wave of MBAs to prove they're not the pencil-pushing, bean-counting, anticreative geeks the first wave were." In fact, he argues that he and his colleagues should be welcomed warmly by those same creative execs smarting from the cost-cutting axe still being swung: "There has been no line of defense. If you have creative MBAs who know what's going on, who speak

the MBA language ... they can help protect the creative side and be a boon rather than a bane."

But trust has to be earned, and many insiders still fear the stunting of Hollywood's creative process by MBAs whose focus is—by training and temperament—on doing deals. After all, that's how their careers and compensations are measured. Already, "the business has become much more imitative and less innovative than it's ever been," contends Arnold Peyser, who has written for and about Hollywood for nearly 40 years. "The whole new breed seems more interested in the deals than in what they want the picture to say."

The danger, say critics, is a loss of perspective as to Hollywood's *raison d'être*. "If you don't make the creative part of the process the paramount part, you lose your whole reason for being here," warns David Stanley, Lorimar Telepictures' executive v.p. for business and financial affairs. Adds John Agoglia, NBC's executive v.p. for business affairs,

"If you make the business so rational, you take all the fun out of it. There are certain decisions you have to make *here*," he says, pointing to his gut. "Hopefully, that won't change."

There's little question that, as profit margins narrow for many producers, they need more sophisticated management. But just as clearly, say many, the challenge for the best and the brightest is to remember what Harvard Business School may not have taught them: A company without a creative soul may be little more than a straw man.

Inside the Market

by Frederic M. Seegal

The transactions market is strong as the field fragments and new ad categories emerge.

Investment bankers are noted for being somewhat egocentric, and at the risk of not rebutting that presumption, I would like to explore several of 1988's key developments based on transactions that our firm has been involved in.

There has been a remarkable, continuing level of investment-banking activity in media despite the 1987 stock market collapse and, at the same time, the beginning of an exodus of financial buyers from cable and broadcasting markets. The advertising market is becoming more fragmented, with the category of media spending known as "other" growing at the fastest rate, apparently at the expense of national TV and print spending. Finally, there has been a recognition of cellular telephone as a major industry. Clearly, many of 1988's major media deals involved the nexus of these trends.

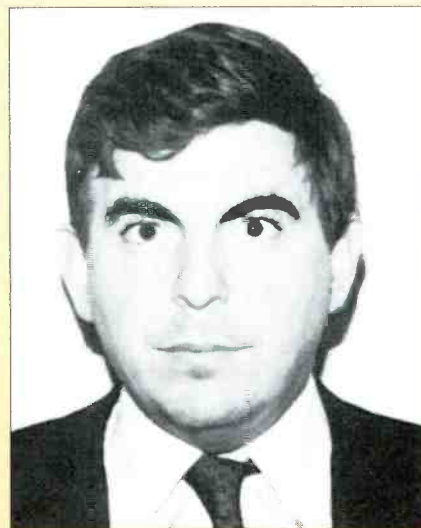
That 1988 emerged as one of the most active years ever for major media transactions is a function of two factors: The stock market doesn't determine values for devoted collectors of media properties; and the junk-bond market, which feeds most media deals, was actually stronger in 1988 than it was for most of 1987. This combination led to several companies going private as insiders attempted to provide value in cases where the stock market would not, most notably in the Macmillan saga. In that instance, two of the bidders relied heavily on junk bonds to finance offers.

In two less visible transactions, Malrite and Infinity, both of which had gone public (during 1984 and 1986 respectively), moved to take their companies private, in each case relying on \$100 million of zero-coupon securities. While both companies were trading at levels above their initial offerings, each management saw few benefits in public ownership and felt frustrated at the market's inability to recognize private market values. The junk-bond market provided the capital that narrowed



these spreads and did so on terms that did not force owners to give up substantial equity. Similar transactions should be likely in the near future, absent a major stock market recovery.

The past year also saw the Robert M. Bass Group, Kohlberg Kravis Roberts and Jack Kent Cooke, all of whom had made major investments in broadcasting and cable since 1985, liquidate significant components of those holdings. In each case the initial investments were junk-bond financed and in the cases of both Storer Cable and Wometco Cable, the subsequent sales were aided by the buyer's ability to assume existing financing. More important,



Seegal: Keeping an eye on the "new" media.

both of the buyers had been long established owners of media properties, in effect rewarding financial buyers for spotting value when the "media establishment" did not. The enthusiasm for cable suggests that the absence of financial buyers will not effect prices for quality cable properties.

The investment by Time Inc. in Whittle Communications is the most visible evidence that owners of traditional advertiser-supported media have finally recognized that alternative media forms have prompted a significant redistribution of spending. Often working directly with clients, Whittle has been able to develop programs, including magazines and "indoor billboards," for many national advertisers. Each program has enabled advertisers to address customers in focused environments, all away from the home, where traditional media has been distributed. As the malaise affecting television stations continues to spread, it is clear that major national advertisers are continuing to rethink how they reach customers.

The emergence of cellular as a viable equity investment has been the one exception to the growing gap between private and public market valuations. In fact, for the first half of 1988, cellular issues traded at close to their private market values, although the gap reemerged in the second half of the year as private market values continued to explode. What has been notable about the emergence of non-wireline cellular entrepreneurs is that many of them succeeded in other areas of media—LIN Broadcasting in television, and Comcast, Century and McCaw in cable. Accordingly, they've been able to make investors understand the long-term economics of a start-up industry that should repeat the success of other media forms. ●

Frederic M. Seegal is a managing director at Shearson Lehman Hutton.

Prime-time Basic Cable Growth

With an influx of popular off-net product like *Cagney & Lacey* (on Lifetime) and *Murder, She Wrote* (on USA Network), basic-cable ratings and shares have surged. Some of the stalwarts—CNN, for example—are flat or sagging.

Monday–Sunday, 8–11 P.M.

Cable Network	October 1987 Rating / Projected Households (000s)	October 1988 Rating / Projected Households (000s)	Percent Change '87-88
TBS	2.3/973	2.7/1,259	17%/29%
USA Network	1.5/609	1.9/875	27/44
ESPN	1.6/709	1.5/732	-6/3
The Nashville Network	1.2/422	1.0/442	-17/5
Cable News Network	1.1/469	0.9/433	-18/-8
CBN Family Channel	0.6/224	1.0/427	67/91
Lifetime	0.4/115	1.0/410	150/195
MTV	0.8/304	0.8/351	0/15
Nick at Nite	0.7/221	0.9/347	29/57
Discovery Channel	0.6/152	0.6/212	0/39
CNN Headline News	0.4/115	0.4/135	0/17

Source: Nielsen Media Research data, with projected household estimates from Group W Satellite Research.

Cable Public Offerings

Public offerings were a frequent occurrence before the October 1987 stock-market crash, which slowed volume considerably. Last year, business picked up, as did the dollar amount of the offerings.

Company	Issue Date	Composition of Offering	Dollars (000)
TCI	9/88	11.125% senior subordinated debentures due 9/1993	\$450,000
Jones Intercable	6/88	13.000% notes due 2000	150,000
Adams-Russell	5/88	Zero coupon notes due 12/1997	272,535
Comcast Corp.	4/88 1/88	2.750% conv. sub. debts. due 4/2003 Zero coupon notes 1/1995	100,000 125,000
Fashion Channel Network	10/87	2,000,000 shares common stock	21,000
Centel Cable TV	9/87	3,200,000 shares class A common stock	65,600
Galaxy Cablevision	8/87	9.375% sub. notes due 3/2000	43,000
Star Cablevision	8/87	13.500% sr. sub. debts. due 8/2002	50,000
Falcon Cable Systems	6/87	600,000 units of Ltd. Partnership interests	11,813
Jones Intercable	5/87 5/87	4,000,000 Class A units of beneficial interests 7.500% conv. sub. debts. due 6/2007	60,000 40,000
Cablevision Ind.	2/87	11.250% sr. sub. debts. due 2/2002	150,000

Compiled by James Bamford. Source: Morgan Stanley & Company.

★ RATINGS ★

TOP NETWORK SERIES

First 7 weeks of season, Sept. 18 through Nov. 6, 1988

SERIES/NETWORK	RATING/SHARE
1 <i>The Cosby Show</i> /NBC	25.1/41
2 <i>Cheers</i> /NBC	23.1/36
3 <i>Roseanne</i> /ABC	22.8/34
4 <i>A Different World</i> /NBC	22.4/36
5 <i>Golden Girls</i> /NBC	21.2/37
6 <i>Who's the Boss?</i> /ABC	21.1/33
7 <i>60 Minutes</i> /CBS	20.8/34
8 <i>Murder, She Wrote</i> /CBS	20.3/30
9 <i>L.A. Law</i> /NBC	20.0/34
10 <i>Growing Pains</i> /ABC	19.9/31

TOP BARTER SERIES

First 8 weeks of season, Sept. 4 through October 30, 1988

SERIES/SYNDICATOR	RATING
1 <i>Wheel of Fortune</i> /King World	14.0
2 <i>TV Net Movie</i> /Teletrib	13.4#
3 <i>Jeopardy!</i> /King World	11.9
4 <i>Universal Pictures Debut Network</i> /(movies)/MCA-TV	11.2#
5 <i>The Cosby Show</i> /Viacom	10.7#
6 <i>National Geographic On Assignment</i> /Turner	9.8#
7 <i>The Oprah Winfrey Show</i> /King World	9.5
8 <i>Wheel of Fortune</i> (weekend)/King World	8.1
9 <i>Star Trek: The Next Generation</i> /Paramount	7.6#
10 <i>War of the Worlds</i> /Paramount	7.0#

TOP CABLE NETWORKS

Average ratings /projected households, October 1988

NETWORK	7 A.M. TO 1 A.M.	PRIME TIME
1 WTBS	1.9 / 886,000	2.7/1,259,000
2 USA	1.2 / 556,000	1.9/875,000
3 ESPN	0.8 / 390,000	1.5/732,000
4 CBN	.8 / 341,000	1.0/427,000
5 CNN	.7 / 337,000	0.9/433,000
6 MTV	.7 / 307,000	.8/381,000
7 Lifetime	.5 / 205,000	1.0/410,000
8 Nashville Network	.4 / 187,000*	1.0/442,000
9 Discovery	.4 / 142,000*	.6/212,000
10 Headline News	.4 / 135,000	.4/135,000

Includes multiple exposures.
* 9 A.M. to 3 A.M. Note: cable ratings are percentages within the varying populations that can receive each network. Networks are ranked by projected number of households rather than ratings. Source: Nielsen Media Research data.

HOME VIDEO

Top Videocassettes / Rentals

October 1988

TITLE / PUBLISHER	% TOP 50*
1 Shoot to Kill / Touchstone	6.1
2 Moonstruck / MGM / UA	4.9
3 Broadcast News / CBS / Fox	4.2
4 Frantic / Warner	4.1
5 Batteries Not Included / MCA	4.0
6 Rambo III / IVE	3.9
7 Planes, Trains and Automobiles / Paramount	3.7
8 Good Morning Vietnam / Touchstone	3.5
9 She's Having a Baby / Paramount	3.3
10 Last Emperor / Nelson	3.1
11 Masquerade / CBS / Fox	3.0
12 Cinderella / Disney	2.7
13 Suspect / RCA / Columbia	2.5
13 Vice Versa / RCA / Columbia	2.5
15 Beetlejuice / Warner	2.4
16 Milagro Beanfield War / MCA	2.2
16 Shakedown / MCA	2.2
18 Switching Channels / RCA / Columbia	2.1
19 Best Seller / Vestron	2.0
19 Wall Street / CBS / Fox	2.0

Top Videocassettes / Sales

October 1988

TITLE / PUBLISHER	% TOP 50*
1 E.T. / MCA	60.8
2 Cinderella / Disney	21.0
3 Dirty Dancing / Vestron	1.8
4 Good Morning Vietnam / Touchstone	1.2
5 Dr. Zhivago / MGM / UA	0.7
5 Top Gun / Paramount	0.7
7 Lady and the Tramp / Disney	0.6
7 Ben Hur / MGM / UA	0.6
9 Sound of Music / CBS / Fox	0.5
9 Mickey's Magical World / Disney	0.5
9 Wizard of Oz / MGM / UA	0.5
9 Sing Along Songs: Merry Christmas / Disney	0.5
13 Callanetics / MCA	0.4
13 Kathy Smith: Fat Burning Workout / Fox Hills	0.4
13 Ten Commandments / Paramount	0.4
13 Lethal Weapon / Warner	0.4
13 Alice in Wonderland / Disney	0.4
13 Sing Along Songs: You Can Fly / Disney	0.4
19 Star Wars / CBS / Fox	0.3
19 Mary Poppins / Disney	0.3

Source: Videodome Enterprises, Dallas. Charts appear weekly in TWICE magazine. * Title as percentage of top-50 tapes total volume.

THE MAGID NUGGET

Life Without TV!

Could you last a month—or six months—without watching one minute of TV? In Channels' exclusive study of how Americans watch TV, 650 people were asked how difficult it would be to not watch TV for one month and for six months. As would be expected, respondents thought it would be more difficult to last half a year without the tube.

	Very Difficult	Somewhat Difficult	Not Difficult	DK / NA
Total	21.5/37.1	29.1/37.8	49.2/24.2	0.2/0.9
Sex				
Male	18.5/32.9	29.8/39.5	51.7/26.0	0.0/1.6
Female	24.5/41.1	28.4/36.3	46.8/22.4	0.3/0.3
Income				
\$30,000 or less	23.0/40.6	30.4/32.9	46.3/25.9	0.3/0.6
More than \$30,000	21.1/35.9	27.8/44.1	51.1/19.3	0.0/0.7
Basic Cable Subscribers				
Yes	22.8/41.1	32.3/36.6	45.1/20.9	0.3/1.4
No	20.7/32.3	25.3/39.3	54.0/28.0	0.0/0.3
VCR Owners				
Yes	22.0/39.6	28.7/39.6	49.1/20.4	0.2/0.5
No	20.6/32.1	29.8/34.4	49.5/31.7	0.0/1.8

Source: Frank N. Magid Associates Inc., for Channels.

Cable Ads Grow and Grow

Looking at the dollar volume that each segment pulls in below, cable pales in comparison to broadcast TV. But in terms of growth, cable leads the way with consistent double-digit percentage increments year-to-year.

AD REVENUE (millions)	1985	1986	1987	1988*	1989*
Non-Network Cable	\$167	\$195	\$271	\$363	\$472
Percent Change	70%	17%	39%	33%	30%
Local TV	5,714	6,514	6,833	7,310	7,750
Percent Change	12	14	5	7	6
Spot TV	6,004	6,570	6,846	7,255	7,545
Percent Change	9	9	4	6	4

Compiled by James Bamford. *Projected revenues. Sources: Cable revenues courtesy of CAB. All other data courtesy of TvB.

ADVERTISING

THIRD-QUARTER 1988 STOCK PERFORMANCES

Cable has again proved to be the healthiest of the four segments, registering only one stock drop (FNN broke even from year-end 1987 to the end of the third quarter). Production companies showed healthy growth, with Republic Pictures almost doubling its stock price (94 percent growth).

	9/30/88	12/31/87	% CHANGE
BROADCASTING			
Molrite Comm.	9.50	6.00	58.3
Lin Broadcasting	60.00	43.88	36.7
United Television	28.50	21.00	35.7
Jacor Comm.	5.88	4.50	30.7
Chris-Croft	22.38	18.25	22.6
Park Comm.	28.50	25.00	14.0
Liberty	39.75	35.50	12.0
CBS	172.75	157.00	10.0
Clear Channel Comm.	14.00	12.25	8.2
Westinghouse	52.75	49.75	6.0
Capital Cities / ABC	355.50	345.00	3.0
Scripps-Howard	80.00	78.00	2.6
General Electric	43.38	44.13	-2.3
GenCorp	20.00	22.25	-10.1
Price Comm.	7.38	11.00	-32.9
Westwood One	11.50	18.50	-37.8
TVX	2.00	3.25	-38.5

	9/30/88	12/31/87	% CHANGE
DIVERSIFIED			
Viacom	30.00	18.13	65.5
McGraw-Hill	69.50	48.25	44.0
Multimedia	75.00	53.50	40.2
Warner	36.13	27.63	30.8
Lee Enterprises	28.00	24.00	16.7
A.H. Belo	27.88 C	48.50	15.0
Washington Post	203.25	187.00	8.7
Meredith	31.13	30.00	3.3
Media General	37.00	36.25	2.1
Knight-Ridder	40.75	40.13	1.6
Tribune	38.50	40.13	-4.1
News Corp.	15.88	16.88	-5.9
New York Times	28.00	31.00	-9.6
Times Mirror	32.00	37.88 B	-15.5
Gannett	32.75	39.13	-16.3

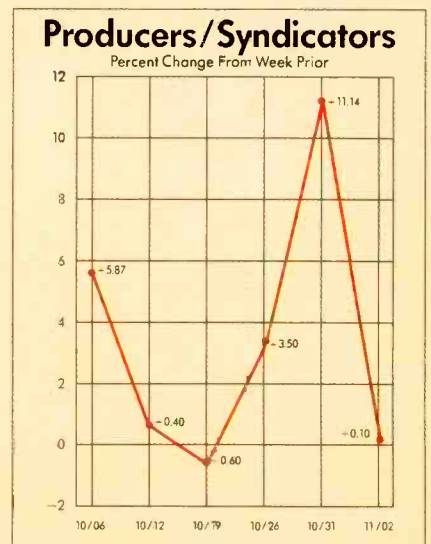
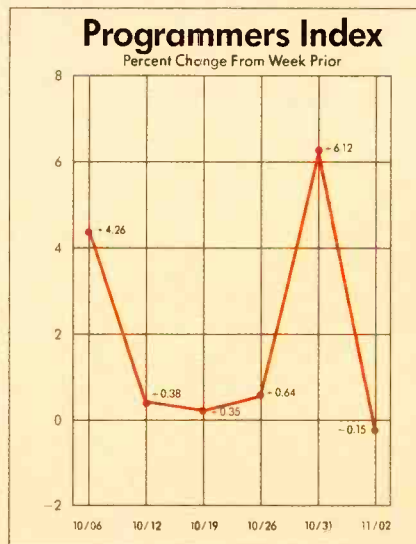
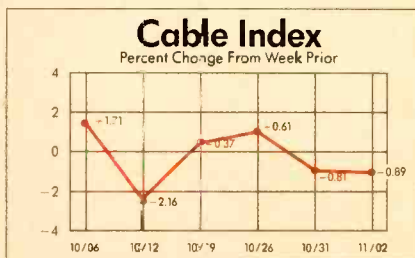
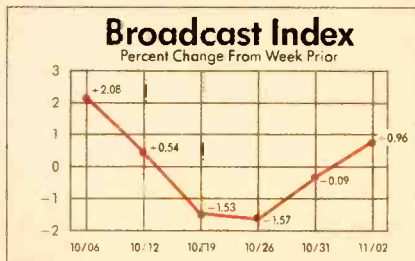
	9/30/88	12/31/87	% CHANGE
CABLE			
United Cable	33.75	22.38	50.8
Time	110.00	82.25	33.7
Turner Broadcasting	14.38	10.88	32.2
Tempo Enterprises	9.25	7.00	32.1
Cablevision Systems	33.63	26.13	28.7
Home Shopping Network	3.88	5.38	-27.8
Jones	12.13	9.63	26.0
Centel	44.68	35.50	25.9
ATC	28.75	23.50	22.3
TCA	32.00	28.75	11.3
Century Comm.	19.63	17.75	10.6
TCI	25.63	23.63	8.5
Financial News Network	6.75	6.75	0.0
Comcast	15.58 A	24.63	-5.1

	9/30/88	12/31/87	% CHANGE
PRODUCTION			
Republic Pictures	8.25	4.25	94.1
MGM / UA Comm.	11.75	6.25	88.0
Acron Spelling	6.75	4.63	45.8
Columbia Pictures	11.75	8.13	44.5
MCA	44.00	34.50	42.2
Orion	15.00	10.75	39.5
King World Prods.	23.50	17.75	32.3
Lorimar Telepictures	12.63	10.25	23.2
Gulf + Western	39.50	71.13 B	11.0
Playboy	13.88	12.63	9.9
Walt Disney	64.88	58.25	9.5
Vestron	4.00	3.75	6.6
New World	3.25	3.13	4.0
Barris	7.00	4.88	1.7
Reeves Comm.	5.75	6.38	-9.8
Heritage Ent.	2.50	3.13	-20.1
Fries Ent.	1.50	2.38	-37.0
DeLaurentis Ent.	.38	.75	-50.0

A. Three-for-two stock split, paid 4 / 88. B. 100% stock dividend, paid 12 / 31 / 87. C. 100% stock dividend, paid 5 / 88. Source: Media Business News.

Industry Segment Profiles

The indices represent four segments of the industry. Cable: seven cable MSOs and programmers; Broadcast: seven TV broadcasters and station-group companies; Programmers: a mix of six companies from broadcast, cable and syndication; and Producers/Syndicators: six Hollywood production companies.



Source: Media Business News.

A Fiber-optics Future? *by Tim Wetmore*

Fiber is in limited use now, but today's applications are the tip-off of more to come.

If you ask a technology doctor what the benefits and drawbacks of fiber optics are, he will probably tell you that the advantages are many and that the disadvantages come down to one thing: cost. Sometimes the cost is an obstacle because certain fiber systems require that stations buy extra capacity for audio channels, whereas the current standard, copper cable, can carry the video *and* audio subcarriers.

A further obstacle to wide fiber use is the requirement of specially trained installers to handle the glass fiber bundles. Yet, fiber is drawing a great deal of attention and has already been used in many ways.

"Anybody who has broadcast or seen a CBS football game from the University of Tennessee in Knoxville," says David Bower, engineering director of the Center for Educational Video at the school, "has seen the results of a fiber optic network. Newsfeeds have been done from here. Even the *MacNeil/Lehrer NewsHour* has been broadcast from here during a panel on nuclear power."

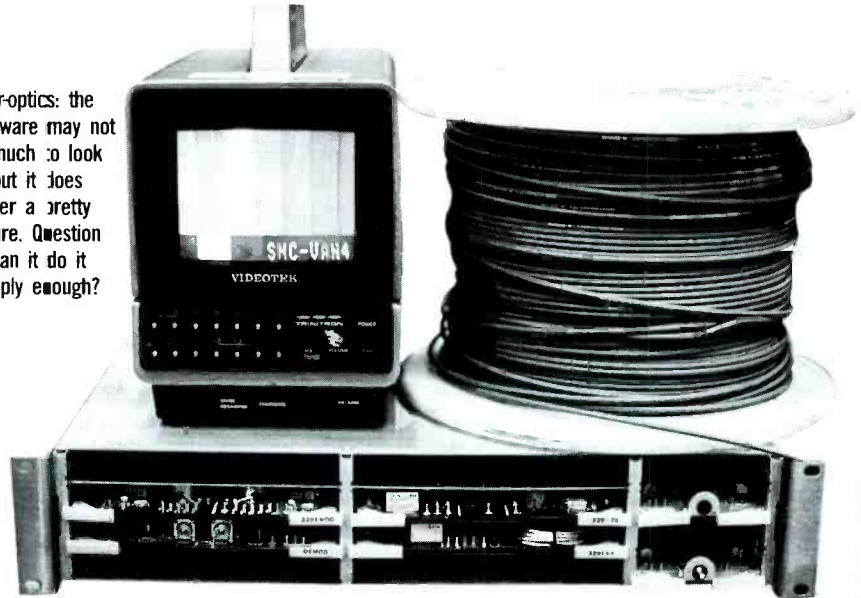
The University of Tennessee, as well as Knoxville's WBIR, maintain separate fiber networks because of past ground loop problems. Greater security and control over the system have also been touted as advantages in this small market.

On a larger scale, anybody who picks up video from Turner's CNN has used a signal that has passed through the company's Atlanta fiber network, which feeds the satellite headend and the downtown studios. Stations that lease video land lines from AT&T and the Bell Operating Companies have more than likely taken advantage of fiber optics. They have facilities fully in place all across the country.

Yet, outside of the catchy phrase that "it holds millions of signals and is as thin as a hair," most people know little about fiber. An understanding of the merits and drawbacks of fiber optics

Tim Wetmore is a free-lance writer specializing in technology.

Fiber-optics: the hardware may not be much to look at, but it does deliver a pretty picture. Question is: Can it do it cheaply enough?



will help station managers judge for themselves whether it truly offers any advantages over existing systems.

Think of it as a glass pipe for light, one that doesn't conduct electricity. Here is one of the advantages: Because of the physics of light, the signals within that pipeline are secure from outside tapping. For the same reason, the fiber-optics system is free from electromagnetic (and thus RF) interference.

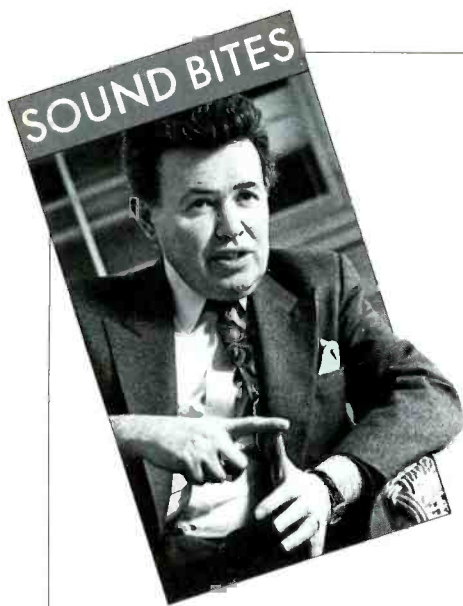
The light acts as a high-frequency carrier that can convey a great deal of data. And because it is light, it travels farther, requires a smaller cable and experiences less signal loss than standard coaxial cable. Because of the wide bandwidth, it is ideal for TV. The bandwidth is so wide that HDTV, with its current 1.5 to 2 times "wider" signal, can be accommodated easily. Thus, a fiber-optics system can either hold more video information of wider bandwidth or simply more channels within the same pipeline. The ability to transmit a signal over a longer distance with a smaller cable means less signal loss (the result is a better quality product conducted more cost-effectively).

Carver Sears, director of Grass Valley Group's Telecommunications System Group, maintains that, in addition

to interconnecting high-end video facilities, fiber optics offers improvement over satellite distribution. "Most important is the cost of transmit-and-receive stations in originally setting up a satellite system," says Sears. "The bandwidth capabilities of the satellite are not as good as fiber. Most notable though is the annoying delay caused by the 22,000-mile length of the signal path."

But even "local" transmissions benefit from fiber. In a recent experiment, Southern Bell in St. Louis shot a Cardinals game with HDTV equipment and then sent the signal from the site on a temporarily constructed fiber-optics system. Fiber, once again, was chosen because it was the only practical medium that could handle the bandwidth of a high-definition signal.

The Southern Bell experiment may indicate a greatly increased role for fiber in the near term. As the future draws near, it will bring more technological advancements, and this will make fiber more practical for in-plant connection as well as for general program distribution. A fiber-optics future? Indeed. ●



Quality Shows Are the Key to Net Survival

Warner Bros. network TV chief Harvey Shepherd warns against boring the viewer with unimaginative programs.

Harvey Shepherd, 51, was often credited with helping to keep CBS at the top of the ratings heap during his six years of overseeing all entertainment programming. He left the network in 1986 to join his former CBS boss, Bob Daly, at Warner Bros. as president of television production. The shy and thoughtful Shepherd had been wooed heavily by Daly, a longtime friend who quit CBS as president of entertainment in 1980 to become chairman and CEO of Warner.

Although Shepherd had earned his reputation for his strength in programming, rather than program development, he has established himself as a quiet but significant industry presence in Hollywood. He still looks back wistfully on CBS, where he spent nearly 20 years. He recently shared some of his thoughts with Channels West Coast editor Neal Koch.

The Impact of Deficits

The deficit situation is a problem in the following way: You will usually incur greater deficits, obviously, on hour shows than half-hour shows, which is understandable. For a half-hour show that goes on stage, it's very easy to control the costs. When you're dealing with an hour show, it isn't as easy because you can run into all sorts of problems, depending upon how many interior days you have, depending upon how many exterior days you have, and consequently, your budgets and your deficits are greater.

Now, the problem you face is that there is no real syndication market currently for the hours. So, consequently, you're forced into doing shows which

are predominantly interior shows, like *thirtysomething*, where you can control the costs much more, or else you go more where the networks have gone—reality programming, news programming. The action shows with a lot of stunts, with a lot of exteriors—nobody can afford to do them anymore.

Additional problems arise if you're shooting on film, particularly if you're doing exterior shots. You can have problems with the weather. It's harder to control all of the elements, especially if we're doing stunts and we have to shoot them over and over again until we get them right.

On a half-hour program you don't have that. I mean, basically, people treat that like a play: People come in, they rehearse, they get up in front of an audience and that's it. So there are none of those variables which you have to deal with on an hour filmed show.

But Look Before You Leap

I think it's a mistake, though, to get out of the hour business, because one doesn't know. You hope one day it'll turn around. In addition, you want the networks to be strong because obviously the stronger they are—that's your market. It would make no sense to eliminate all hours because ultimately it will cause further erosion in network audience shares.

What It Takes to Keep a Series On the Air

It's a very arduous process. The idea is to have a talent pool of creative people that can maintain the quality that you're after, week in and week out, without burning out. The key is to try

and be as creative as possible in the third and fourth years. You don't want the show to become predictable. The key is to have some surprises.

Exclusive Talent Agreements The Answer?

I don't think so. If you do that you wind up paying very high fees. I think you have to have a balance. There are a lot of very exciting young people on the horizon who are ready to break out and I think your chances of succeeding are as good with them as they are with the proven performer.

Comparing Jobs in Advertising, Network Programming and Studio Production

Well, advertising is the easiest; it's the least interesting as well. I was, for six years, head of programming for CBS, which was exciting initially. But then there is such a strain on that job. The pressures are enormous. Every move you make is under a microscope. You make a mistake and the next day everybody knows about it. It can be quite exciting. But like all high-pressure jobs, there is a limit to how long you can take it. At the end of my sixth year, I was burned out. I was ready to take on a different challenge.

I enjoy this job at Warner. Obviously it can be frustrating: You assemble what you consider to be an excellent creative team and a good concept, good star, you put it on the air and nobody tunes in to watch, or you have a show leading in to you that's getting a 15 share and you're not sampled.

At the same time, it's the most creative. It's the most challenging; al-

though the network job was quite challenging, it wasn't as creative. There, people go out to develop the shows and you buy the shows; you're the strategist. But in terms of the creation process, this is more gratifying.

How to Stem Viewer Erosion

It's important for the networks to improve upon the quality and to improve upon the number of hours of original programming. Because if they show any weakness, then the competition is just waiting to capitalize on that.

Another key is diversity—not to just choose programming because of the bottom line. There was a movement to cut back the number of made-for-TV movies because they weren't as profitable—to put more news out. I think what one should do is offer the viewers lots of choices. If you have to take a few losses somewhere, then you do it, simply because I think that the most important thing is to not allow the viewers to become bored with network television because of the sameness of the product. It should continue to be made as exciting as possible, as diverse as possible, and that will stem the erosion. If anything, we can build upon the audience levels we're at now.

How to Combat Grazing

All you can do is try to turn out the best show possible. I think there are going to be certain personalities that watch television the way they watch music videos: They see things in three-minute bursts and they switch to something else. You can't change people's viewing habits. There's going to be a segment that's going to view television that way. The key thing is, if you have a compelling show, people will stay with it.

It's no different when you rent a video. You stay with it because you've made a commitment to watch that movie. The same thing is true when people watch a television show. If they're intrigued by it, if the performances are good, and if the writing is good, then they'll stay with it. People start switching if they're bored.

What CBS Should Do

It's very simple. It's simple and it isn't. The only thing that turns networks around are hits.

NBC was number three for nine years. They were having, obviously, a very hard time. Then, all of a sudden, they came up with *The Cosby Show*.

CBS had been dominating Thursdays with *Magnum P.I.*, *Simon and Simon* and *Knots Landing*, and ABC was a poor second. CBS was winning the night, say, by 7 ratings points.

'The networks must improve the quality and number of hours of original programming. The competition is just waiting to capitalize on weakness.'



Then, all of a sudden, when NBC put *Cosby* on, they got shares in the 40s and people said, "Lead-ins are very important." So all of a sudden viewers started watching *Family Ties*. They started watching *Cheers*. And everything started clicking and all of a sudden NBC was winning Thursday nights by 7 ratings points.

Now, admittedly, NBC came up with other big hits following *The Cosby Show*—but shows that people had never bothered to tune in because they preferred the shows on CBS.

So the swing for NBC from losing Thursday nights by 7 ratings points to winning Thursday nights by 7 ratings points translated into NBC winning the weekly average ratings by 2 points—which just shows you how enormous a hit can be.

It was the same thing when CBS put *Dallas* and *The Dukes of Hazzard* on the air. ABC was the dominant network until then.

The impact—particularly if the show or the hit is scheduled at 8 P.M. and if you're able to pull the audience in with the evening's schedule after that—is enormous. If one can come up with two hits—it doesn't sound like a lot but it is—you can be back in first place.

Looking Back at CBS

Well, the network was my home. That's where the people I was closest with were.

I mean, basically it is a corporation, but there was a pride in working for CBS. I guess that's why it represented the entertainment field.

When one thinks of CBS, one thinks of broadcasting. By selling off other areas, they've been putting more money into broadcasting. If, indeed, this re-investing of funds, which they achieve through sales, can translate into them becoming number one, then I think it's a worthwhile investment.

How CBS Has Changed

I think CBS is still well run. But, obviously, they are much more bottom-line oriented. The showmanship has been reduced a little bit. More so now, there are bottom-line decisions being made along the lines of, "What is the return on our investment going to be by going with this show versus that show," rather than saying, "Creatively, which program would I rather have on the air, which, ultimately, would bring a larger audience?"

On Chairman Paley

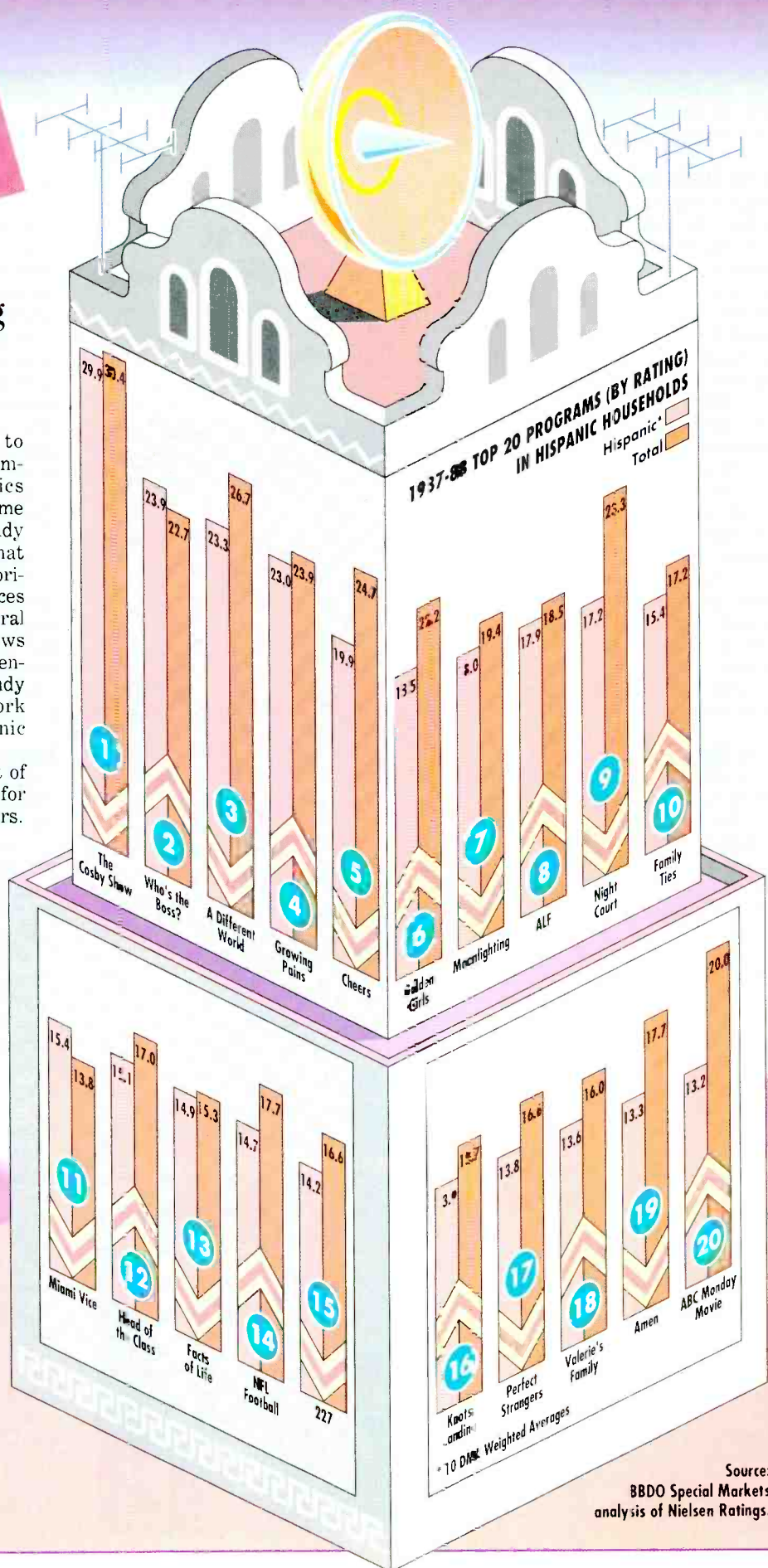
He's extraordinary. It was an extraordinary experience dealing with him. He's the man who built the largest advertising organization in the world. ●

RUNNING THE NUMBERS

Hispanic Viewing Close to the Mainstream

Advertisers aiming to reach the growing number of U.S. Hispanics would do well to buy time in network sitcoms. A recent study by ad agency BBDO reveals that Hispanics are big fans of family-oriented comedies. Their preferences correspond well to those of general audiences: 13 of the top 20 shows favored by Hispanics are also general audience favorites. The study concludes, though, that network TV underdelivers the Hispanic audience by 26 percent.

Hispanics make up 6 percent of all TV households but account for only 3 percent of all viewing hours.



Source:
BBDO Special Markets
analysis of Nielsen Ratings.

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SCOOP! EXCLUSIVE! MORE OF A GOOD THING COMING NEXT FALL

"Born Famous" Executive Producers, Ava Ostern Fries, Meredith MacRae and Producer/Director Eytan Keiler announced today exciting new plans for their syndicated series of provocative monthly specials—the show that offers viewers a glimpse into the private lives of celebrities and their families.

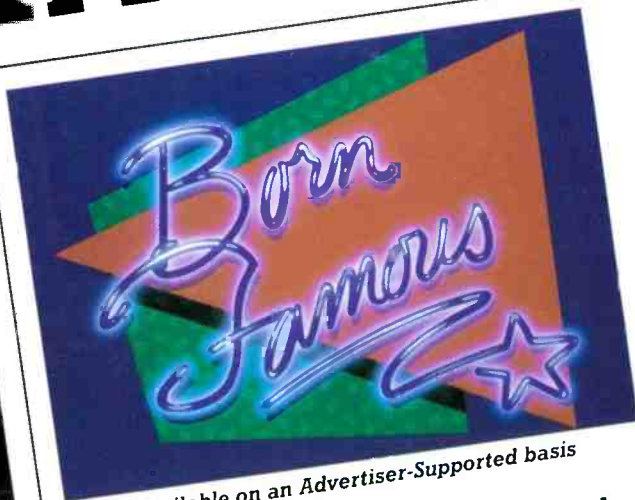


TV's controversial mouth Morton Downey, Jr. bares all to Meredith MacRae.

Premiering Sept. 23rd are 24 all-new half-hour episodes available for broadcast on a weekly basis supported by a dynamic promotion campaign.

More details are available from your Fries sales representative...

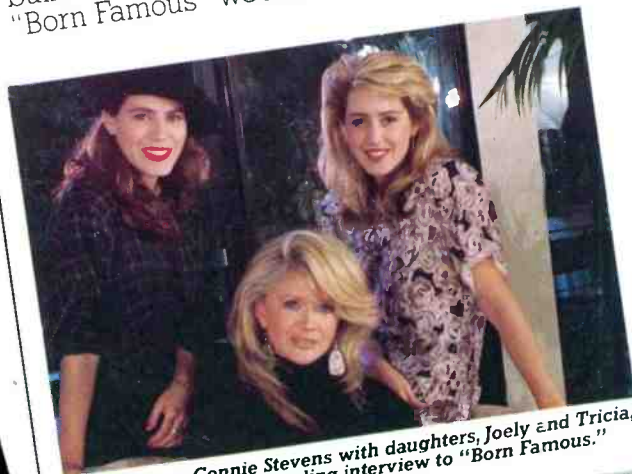
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'Best of Born Famous' kicks off June 23rd.

As an innovative way to generate viewer loyalty, 13 half-hours, edited from the currently airing hour specials and featuring the hottest guest stars, are scheduled for Summer telecasting beginning June 23rd... a great build-up to the Fall 1989 premiere of the new "Born Famous" weekly half-hour series.



Glamorous Connie Stevens with daughters, Joely and Tricia, grants a rare and revealing interview to "Born Famous."

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